



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

BULLETIN 2022-10

TO: All Admitted Insurers, Including Those Writing Private Passenger Automobile Insurance in California

FROM: Insurance Commissioner Ricardo Lara

DATE: August 8, 2022

RE: Changes to Premium Payment Options Without the Prior Approval of the Department of Insurance

The California Department of Insurance (Department) has recently received several consumer complaints alleging that insurance companies writing private passenger automobile (PPA) insurance are discontinuing the option of paying premium on a monthly basis and other installment payment plans, and instead are requiring consumers to pay a minimum of 6 months of premium in advance at the inception or renewal date of the PPA policy. To date, these changes have been made without first obtaining the prior approval of the Department.

This Bulletin provides notice that any change to premium payment options available to PPA policyholders and policyholders in other lines of insurance in California subject to Proposition 103 require the prior approval of the Department before such a change is implemented, as such change may have a rate impact. The elimination of a premium payment or installment plan is likely to have rate impact, since installment fees are typically added to premium in the development of the range of permitted earned rate changes, or the rate indication, under the rate template utilized by the Department.

When an insurance company eliminates a premium payment or installment plan, there are likely to be current policyholders unwilling to pay a substantial percentage of their premium at the policy inception date or at the next renewal of their policy. Policyholders non-renewing with their current insurance company because the insurance company eliminated a premium payment or installment plan impacts the amount of premium collected by the insurance company and may alter that insurance company's risk profile, or mix of business. This change in premium collected and mix of business may render an insurance company's existing rates excessive, inadequate, or unfairly discriminatory for the insurance company's remaining book of business. Because changes to or the

elimination of a premium payment or installment plan may have a rate impact, any such change must be submitted to the Department for prior approval under Proposition 103 (Cal. Ins. Code §1861.05) before any such change is made. This also ensures that the public is notified of a revision that has a potential rate impact. Further, this allows the Department to review the revisions to the premium payment or installation plans to assess the change in premium collected and the amount of rate impact, and confirm that the insurance company's rates for the remaining policyholders are not excessive, inadequate, or unfairly discriminatory.

Based on the foregoing, any insurance company that unilaterally implemented a change to a PPA or other insurance premium payment or installment plan subject to Proposition 103 without first obtaining the prior approval of the Department is directed to immediately cease implementation of any such change and continue to provide all previously approved payment and installment plans to its policyholders until any changes to such plans have been approved by the Department. Any insurance company intending to change the available premium installment or payment plan options are directed to seek and obtain the prior approval of the Department before implementing any such change.

Any insurance company with questions about this Bulletin, please contact:

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Any consumer with questions about this Bulletin, please call the Department's Consumer Hotline at 800-927-4357.