

**DEPARTMENT OF INSURANCE****NOTICE REGARDING UNFAIR DISCRIMINATION IN RATING:  
PRICE OPTIMIZATION****TO: Property & Casualty Insurers Doing Business in California****DATE: February 18, 2015**

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For purposes of this Notice, "Price Optimization" is defined as any method of taking into account an individual's or class's willingness to pay a higher premium relative to other individuals or classes.

Price Optimization does not seek to arrive at an actuarially sound estimate of the risk of loss and other future costs of a risk transfer. Therefore, any use of Price Optimization in the ratemaking/pricing process or in a rating plan is unfairly discriminatory in violation of California law.<sup>1</sup>

Any insurer currently using Price Optimization to adjust its rates in California shall cease this practice.

1. Any insurer that has employed Price Optimization to adjust its rates in the ratemaking/pricing process shall remove the effect of any such adjustments from any filing to be submitted subsequent to the date of this Notice.
2. Any insurer that has a factor or factors based on Price Optimization in its rating plan shall remove the factor or factors in its next filing. The insurer shall submit this filing no later than six months from the date of this Notice.

Please direct any questions about this Notice to:

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<sup>1</sup> The California Insurance Code prohibits insurers from charging unfairly discriminatory rates. See, e.g., Ins. Code sections 1861.05(a), 1861.137(b), 11732.5, 12120, and 12401.3(a).