DEPARTMENT: Board of Supervisors  

BY: Bob Pickard  
PHONE: 966-3222

RECOMMENDED ACTION AND JUSTIFICATION:
Authorize the Chairman of the Board of Supervisors to sign a letter opposing the Department of Insurance’s proposal to alter the method automobile insurance rates are developed. Under Proposition 103, Insurance Commissioner John Garamendi has the ability to reformulate the way auto insurance companies calculate rates. The reformulation plan that the Commissioner is currently promoting would place less weight on a driver’s location (residential zip code) and place more weight on other factors. When the weight of a driver’s location is dramatically reduced in the formula, it has the effect of lowering rates in heavily urbanized areas and subsequently increasing the rates in rural areas.

Under the law, the Commissioner must hold a public hearing to allow arguments to be made by those impacted by the reformulation change. The Commissioner has selected February 24, 2006, in San Francisco to hold the public hearing. After considering the testimony, the Commissioner can revise regulations for further public comment or simply finalize and implement the regulations.

BACKGROUND AND HISTORY OF BOARD ACTIONS:
In the past the Board has authorized the Chairman to sign letter on issues that could negatively or positively impact the citizens of Mariposa County.

ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:
Make modifications to the letter and authorize the Chairman to the letter as modified.

Do not authorize the Chairman to sign the letter. Supervisors may write letters of concern on their own behalf to the Commissioner.

Financial Impact? ( ) Yes (X) No  
Current FY Cost: $  
Budgeted In Current FY? ( ) Yes ( ) No ( ) Partially Funded  
Amount in Budget: $  
Additional Funding Needed: $  
Source:  
Internal Transfer  
Unanticipated Revenue  
Transfer Between Funds  
Contingency ( ) General ( ) Other  
4/5’s vote  
4/5’s vote  
4/5’s vote

Annual Recurring Cost: $  

List Attachments, number pages consecutively  
Draft Letter

CLERK’S USE ONLY:  
Res. No.:  
Ord. No.  
Vote – Ayes:  
Noes:  
Absent:  
Approved  
( ) Minute Order Attached  
( ) No Action Necessary

The foregoing instrument is a correct copy of the original on file in this office.  
Date:  
Attest: MARGIE WILLIAMS, Clerk of the Board  
County of Mariposa, State of California  
By:  
Deputy

COUNTY ADMINISTRATIVE OFFICER:  
Requested Action Recommended  
No Opinion  
Comments:

CAO:  

Revised Dec. 2002
February 21, 2006

The Honorable John Garamendi
Insurance Commissioner
300 Capitol Mall, Suite 1700
Sacramento, California 95814

RE: Reformulation of Automobile Insurance Rates

Dear Insurance Commissioner Garamendi:

The Mariposa County Board of Supervisors strongly opposes the Department of Insurance’s proposal of altering the way automobile insurance rates are developed.

Automobile insurance rates should be based on the cost of providing insurance. The location of a policy holder has a tremendous impact on the cost of automobile insurance and the current rating methodology allows for location to have a significant impact on determining rates. This has the effect of accurately pricing policies which are justifiably lower in rural counties than their counterparts in the heavily urbanized areas of the State.

Drivers who reside in low-risk areas of California where accidents and thefts are dramatically lower should not be required to subsidize drivers in higher risk, urbanized areas. The proposed reformulation of the way rates are calculated will not only have a significant percentage increase for those living in rural areas, but it will also have a disastrous impact on those who have less discretion with their income.

We urge you to reconsider the proposed rate modifications which minimize location as this will result in unfair increases for the vast majority of drivers in Mariposa County. Thank you for your time and consideration in this matter.

Sincerely,

LEE STETSON
Chairman

PS/LS/mbh

cc: Assembly Member Dave Cogdill
    State Senator Chuck Poochigian
    Regional Council of Rural Counties
    Advocation

bcc: Margie Williams, Clerk of the Board