DEPARTMENT: Board of Supervisors

BY: Lee Stetson
PHONE: 966-3222

RECOMMENDED ACTION AND JUSTIFICATION:
Ratify the signature of the Chairman of the Board of Supervisors in including Mariposa County on the “Californians AGAINST Higher Insurance Rates” Coalition. Insurance Commissioner John Garamendi is proposing to alter the method in which auto insurance rates are calculated. The proposed new method could significantly increase auto insurance rates in rural areas such as Mariposa County. A request was received to add Mariposa County to the list of agencies/organizations opposing the new auto insurance regulations. This request was received too late to be included on the Board’s agenda for March 7, 2006, which is the deadline to submit comments to the Insurance Commissioner. A fax was sent to the coalition on March 6, 2006, requesting that Mariposa County be included in the coalition. The coalition will then forward this information to the Insurance Commissioner.

There is no cost or conditions imposed on Mariposa County by joining the coalition.

BACKGROUND AND HISTORY OF BOARD ACTIONS:
In the past the Board has joined coalitions that either support or oppose proposals that are for the benefit of Mariposa County.

ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:
Do not ratify Mariposa County joining the “Californians AGAINST Higher Insurance Rates” coalition. A letter will be sent to both the Insurance Commissioner and the coalition requesting that Mariposa County be removed from the coalition. Individual Supervisors and other concerned individuals may join the coalition on their own behalf.

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

List Attachments, number pages consecutively
Californians AGAINST Higher Insurance Rates Info.

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
Coalition Sign-up Form

In late December, California Insurance Commissioner John Garamendi proposed new auto insurance regulations that will reduce accuracy and fairness of pricing and result in rate increases for a majority of California good drivers. Two different, independent analyses of Garamendi’s proposed changes, including one by Garamendi’s own Dept. of Insurance, found similar results: auto insurance rates will go up for drivers in 4 out of 5 communities in California and for drivers in 52 out of 58 California counties.

I/we oppose any changes to current automobile rating factors that will unfairly increase auto insurance rates for good drivers, low income drivers or drivers living in rural, less populated areas. PLEASE LIST ME/MY ORGANIZATION AS A MEMBER OF CALIFORNIANS AGAINST HIGHER INSURANCE RATES. A driver’s location – where you drive and keep your vehicle – influences the likelihood that you might need to file a claim. Drivers who commute on more congested, accident-prone roads or drivers who live in neighborhoods with more auto theft claims are more likely to have an insurance claim.

Please specify if you are endorsing as an:

☑ Organization (Please check this box if you are signing up on behalf of your organization)
☐ Company
☐ Individual (Please check this box and we will list your name and title)

Date: March 6, 2006

Name: Lee Stetson, Chairman

Signature: ____________________________

Organization: Mariposa County Board of Supervisors

Address: P.O. Box 784

City/State/Zip: Mariposa, CA 95338

Phone: 209-966-3222

Fax: 209-966-5147

Email Address: mhodson@mariposacounty.org

Please fax completed form to 916.442.3510 and we will add your name/organization to our coalition list. Thank You!

Californians Against Higher Insurance Rates
1121 L Street · Suite 803 · Sacramento, CA 95814
Tel 916-443-0872 · Fax 916-442-3510
In late December 2005, California Insurance Commissioner John Garamendi proposed new auto insurance regulations that will reduce accuracy and fairness of pricing and result in rate increases for a majority of California good drivers. Two different, independent analyses of Garamendi’s proposed changes (one by the insurance industry and the other by Commissioner Garamendi’s own Department of Insurance) found similar results: auto insurance rates will go up for drivers in 4 out of 5 communities in California and for drivers in 52 out of 58 California counties. Other likely outcomes would be:

- Massive rate increases of 24.1% in Modoc County; 32.2% in Mono County; 36.5% in Imperial County; and 29.0% in Siskiyou County (to name a few) to provide decreases of 1.3% in Orange County; 12.7% in Los Angeles County; and 11.8% in San Francisco County;
- Rural drivers subsidizing urban drivers;
- Nearly three quarters (73%) of California drivers with 34 or more years experience – generally drivers age 50 and older – receiving rate increases;
- Inexperienced drivers (less than 5 years) getting substantial decreases;
- 63% of California good drivers receiving rate increases; and
- 56% of “bad” drivers – drivers not meeting the California good driver criteria – getting rate decreases.

Your help is needed now to urge Commissioner Garamendi to modify his proposal to ensure that rural drivers and good drivers won't suffer rate increases to subsidize rate decreases for drivers in population centers like Los Angeles, San Francisco and Oakland.

BACKGROUND
Commissioner Garamendi held public hearings in early 2004 to solicit public input before developing these new auto regulations. Numerous local government leaders, low-income, consumer and senior organizations joined together under the banner of Californians AGAINST Higher Insurance Rates to vocally denounce the plan on the table at that time. Unfortunately, Commissioner Garamendi didn’t listen to those concerns and has put forward changes which are nearly identical to the ones proposed in 2004.

FACTS:
Insurance companies use a number of factors to assess risk and accurately determine auto insurance rates -- including driving safety record, annual miles driven, driving experience, location, marital status and a number of other factors.

Like the plan in 2004, Commissioner Garamendi’s December proposal changes the weight given to each of those various rating factors, and in particular, his new regulations dramatically reduce the weight given to a driver’s location. Reducing the weight given to a driver’s location will result in significant and unjustified rate increases for millions of California good drivers, many whom are low-income good drivers.

Four separate insurance commissioners, including Commissioner Garamendi during his first term as Insurance Commissioner, and the State Court of Appeals, have ruled that using a driver’s vehicle location in determining rates is lawful. The court also noted that considering vehicle location “produces lower premiums for more good drivers…”

Here is why a driver's location matters:

Current regulations allow for the calculation of rates that are generally cost-based. It only makes sense: a driver’s location – where you drive and keep your vehicle – influences the likelihood that you might need to file a claim. Drivers who commute on more congested, accident-prone roads or drivers who live in neighborhoods with more auto theft claims are more likely to have an insurance claim.

Ignoring a driver’s location does not reduce the likelihood a claim will be filed, it simply transfers the cost of that claim across the pool of all insured drivers – resulting in significantly higher premiums for good drivers in suburban and rural areas to subsidize drivers in higher risk major cities and more affluent communities such as Santa Monica, Beverly Hills, Los Angeles and San Francisco.

It is simply not fair or actuarially sound to ask good drivers in many low-income regions of the state to subsidize bad drivers in higher income regions of the state. But that is exactly what would happen if the Insurance Commissioner eliminates or reduces the ability to use a driver’s location in setting insurance rates.
At the request of the State Legislature, the Department of Insurance commissioned an analysis by Mercer Actuarial Consulting to determine the impact of the Insurance Commissioner's proposal on consumers' auto insurance rates. The Mercer study, just released in January, 2006, reached virtually identical conclusions to that of an insurance industry study conducted by independent actuary Bob Downer on the same proposal when it was being considered by Commissioner Garamendi in 2004. The results confirm that if the plan studied is implemented, it will unfairly and irresponsibly cause auto insurance rates to increase for more than 60% of drivers statewide and approximately one-third of all drivers in California will see their rates go up by more than 10%.

Downer 2004
- 61% of all drivers will see rates increase
- 32% of all drivers will get an increase of at least 10%
- 52 of 58 counties (90%) will experience rate increases
- 82% of cities and towns in CA will receive rate increases
- 70% of CA zip codes will see average rate increases

Mercer 2006
- 62% of all drivers will see rate increases
- 27% of all drivers will get an increase of at least 10%
- 52 of 58 counties (90%) will experience rate increases
- 82% of cities and towns in CA will receive increases
- 69% of CA zip codes will see average rate increases

Downer and Mercer also found that in the same 52 out of 58 counties, rates will go up. A look at the list below shows that the Commissioner's proposal would unfairly impose massive rate increases of 26% in Modoc County; 31% in Mono County; 35% in Imperial County; and 31% in Siskiyou County (to name a few) to provide decreases of 1% in Orange County; 10% in Los Angeles County; and 12% in San Francisco County.

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We are OPPOSED to efforts to arbitrarily increase auto insurance rates in our regions, so drivers in other regions can pay less (updated as of 3/1/06)

Local Government/Elected Officials
Regional Council of Rural Counties
Alpine County Board of Supervisors
Butte County Board of Supervisors
Colusa County Board of Supervisors
Del Norte County Board of Supervisors
Glenn County Board of Supervisors
Humboldt County Board of Supervisors
Imperial County Board of Supervisors
Inyo County Board of Supervisors
Kern County Board of Supervisors
Kings County Board of Supervisors
Lake County Board of Supervisors
Madera County Board of Supervisors
Merced County Board of Supervisors
Mono County Board of Supervisors
Sierra County Board of Supervisors
Siskiyou County Board of Supervisors
Tulare County Board of Supervisors
City of Benicia
City of Blue Lake
City of Calipatria
City of Davis
City of Dixon

Local Government/Elected Officials (cont.)
City of Santa Cruz
City of Red Bluff
City of Tulare
City of Vacaville
City of Willows
Town of Mammoth Lakes
Eureka Mayor, Peter LaVallee
Lompoc Mayor, Dick DeWees
Salinas Mayor, Anna Caballero
Bishop Mayor, Kathryn A. Henderson
Modoc County Supervisor, Daniel Macsay
Napa County Supervisor, Mark Luce
Napa County Supervisor, Bill Dodd
Napa County Supervisor, Brad Wagenknecht
Shasta County Supervisor, Patricia Clarke
Tehama County Supervisor, Ron Warner
Bishop City Council Member, Martin Connolly
Bishop City Council Member, Susan Cullen
Ethnic/Community Groups
California Senior Advocates League
Central California Hispanic Chamber of Commerce
Kern County Hispanic Chamber of Commerce
San Diego County Hispanic Chamber of Commerce
Tulare Kings Hispanic Chamber of Commerce
Merced County Hispanic Chamber of Commerce
Bishop Employees Association
Mabuhay Alliance (Filipino-American organization in San Diego County)
Proteus Inc.
Volunteer Center of Sonoma County

Local Chambers/Business Organizations
Kern County Taxpayers Association
Butte County Economic Development Corporation
Chico Economic Planning Corporation
Kern Economic Development Corporation
Regional and Legislative Alliance of Ventura and Santa Barbara Counties
Bishop Area Chamber of Commerce
Brawley Chamber of Commerce
Carpinteria Chamber of Commerce
Chico Chamber of Commerce
Cotati Chamber of Commerce

Local Chambers/Business Organizations (cont.)
Death Valley Chamber of Commerce
Dixon Chamber of Commerce
Goleta Valley Chamber of Commerce
Oxnard Chamber of Commerce
Greater Bakersfield Chamber of Commerce
Lakeport Regional Chamber of Commerce
Napa Chamber of Commerce
Paradise Ridge Chamber of Commerce
Thousand Oaks – Westlake Village Regional Chamber of Commerce
Yuba-Sutter Chamber of Commerce

Small Businesses
Aero Airport Shuttle and Charter Shuttle LLC – Lake County
Shore Line Realty, Inc. – Lake County
Polestar Computers – Lake County
Lakeport Grocery Outlet
Prudential California Realty – Lake County
Century 21 Vintage -- Lakeport
Konocti Realty -- Lakeport
Lakeport Yoga
Guild Mortgage Co. -- Lakeport
Heal Staffing, Inc. -- Lakeport
Hospice Services of Lake County
Woodbury Financial Services – Lakeport
Techos, LLC – Lake County

Californians Against Higher Insurance Rates
1121 L Street · Suite 803 · Sacramento, CA 95814
Tel 916-443-0872 · Fax 916-442-3510
Small Businesses (cont.)
AGM Property Management – Lakeport
Lake County Association of Realtors
Padel Enterprises – Lakeport
Bassin’ with Bob Guide Service – Lake County
North Lake Medical Pharmacy – Lakeport
Lake County Cleaners
Placer Title Company – Tehama County
Bob Bartley Pump, Inc. – Lakeport
Kelseyville Lumber Co., Inc. – Lake County
J & R Miller Trucking – Anderson