

PROPOSITION 17: WHO FIRST CAME UP WITH THE IDEA OF A CONTINUOUS COVERAGE DISCOUNT? WELL, THE CDI OF COURSE.

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Because of the nature of our involvement and/or representation of parties involved in connection with Proposition 17, I have thus far refrained (and will continue to refrain) from offering any legal analysis on this proposition. However, I would like to highlight information relevant to this topic that may not have received much public attention, but is available in the public domain.

For instance, who first came up with the continuous coverage discount?

Well, if you ask a former Division Chief of Rate Regulation and Deputy Commissioner of Rate Regulation of the California Department of Insurance ("CDI"), the CDI did.

In a declaration filed in connection with the Proposition 17 ballot litigation, the former chief and deputy commissioner stated:

"In early 1994, during the course of a Field Rating and Underwriting Bureau examination of a large market share insurer, I was contacted by the Bureau Chief for the Field Rating and Underwriting Bureau who indicated that the rate analyst conducting the examination determined that the insurer's persistency discount rule may be unfairly discriminatory and in violation of Insurance Code section 1861.05(a). ***The rate analyst claimed that there should be no difference between an existing policyholder who receives a persistency discount and a new policyholder with verifiable existing insurance experience with a different insurer. In other words, the existing insurance experience should be 'portable' and considered by a different insurer ('portable persistency'). I concurred with this analysis.***"

"A review of the automobile rating factors reflected that persistency is the only rating factor that makes a distinction between existing and new policyholders which we felt was unfairly discriminatory. ***In addition there was a public policy component to our decision as well. If other companies were to adopt a portable persistency interpretation, it potentially could help reduce insurance premiums for the vast majority of drivers in [] California since roughly three out of four drivers in the State have existing automobile insurance.*** Consumers would be more inclined to shop for insurance if they knew that they would not lose their persistency discount by moving to another insurer."

"Following a number of discussions with this larger market share insurer, at our instruction it added portable persistency to its class plan. Its class plan was then approved in 1995."

"As the foregoing reflects, the concept of a portable persistency discount was initially the Department's idea. The Department subsequently approved the adopting of such a persistency discount in 1995."

[Emphases added.]

While the CDI's currently stated position on Proposition 17 might be characterized as equanimous, the CDI apparently had a much stronger opinion on this discount and even considered the existence of this discount to be good for California consumers.

[A copy of the court filed declaration can be found [here](#).]