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BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF CALIFORNIA

In the Matter of the Rate Application of  
Interinsurance Exchange of the  
Automobile Club,  
Applicant.

File No.: PA-2022-00005

**CONSUMER WATCHDOG'S REQUEST  
FOR COMPENSATION**

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1 **I. INTRODUCTION**

2 Consumer Watchdog (“CWD”), Intervenor in the above-entitled proceeding, submits this  
3 Request for Compensation (“Request”) pursuant to Insurance Code section 1861.10, subdivision  
4 (b), and the intervenor regulations, California Code of Regulations, title 10 (“10 CCR”), § 2661.1  
5 et seq.

6 Proposition 103 and the intervenor regulations expressly provide for consumer  
7 participation in the rate review process. This is because “the scrutiny of consumer representatives  
8 is an important tool to ensure that applicants comply with the statutory and regulatory prohibition  
9 on ‘excessive, inadequate, and unfairly discriminatory’ rates, or rates that otherwise violate the  
10 law.” (*Ass’n of California Ins. Cos. v. Poizner* (2009) 180 Cal.App.4th 1029, 1041.)

11 Invoking the right the voters accorded themselves under Insurance Code section  
12 1861.10(a) to enforce the provisions of Proposition 103, Consumer Watchdog initiated the  
13 proceeding when it filed a Petition for Hearing, Petition to Intervene, and Notice of Intent to Seek  
14 Compensation (“Petition”) on July 28, 2022, challenging the rate application (File No.: 22-1466)  
15 [“the Application”] of Interinsurance Exchange of the Automobile Club (“Applicant” or “Auto  
16 Club”) seeking an overall 6.9% rate increase to its private passenger auto line of insurance.  
17 (Consumer Watchdog, the Department of Insurance, and Applicant will be collectively referred to  
18 as the “Parties.”)

19 Consumer Watchdog represented the interests of consumers and policyholders by  
20 presenting issues, evidence, and arguments in its Petition and subsequent requests for information,  
21 analysis, correspondence, and communications with the Parties that were separate and distinct  
22 from those raised by the Department of Insurance (the “Department”). Consequently, the  
23 Insurance Commissioner (“Commissioner”) had all this information available to him when  
24 making his decision that would not have been available had Consumer Watchdog not participated.  
25 As a result, Consumer Watchdog substantially contributed to the Commissioner’s decision to  
26 approve the Application.

1 This Request seeks compensation in the total amount of \$56,554.50<sup>1</sup> for Consumer  
2 Watchdog’s substantial contribution to the Commissioner’s Decision Denying Petition for  
3 Hearing (“Order”) regarding the Application. This Request includes time spent working on this  
4 matter, including preparing this Request, through March 17, 2023. This Request is based on the  
5 facts and circumstances of this matter as summarized in Section III below and in supporting  
6 exhibits, the record in this matter, and the accompanying Declarations of Benjamin Powell  
7 (“Powell Decl.”) and Allan I. Schwartz (“Schwartz Decl.”). In light of the substantial contribution  
8 Consumer Watchdog made to the Commissioner’s decision in this proceeding, as discussed  
9 further below, the compensation sought for its attorneys, paralegal, and actuarial expert fees is  
10 abundantly reasonable.

11 **II. CONSUMER WATCHDOG IS ELIGIBLE TO SEEK COMPENSATION IN THIS**  
12 **PROCEEDING AND ITS REQUEST IS TIMELY**

13 The intervenor regulations provide, in part:

14 A petitioner, intervenor or participant whose Petition to Intervene or Participate  
15 has been granted and who has been found eligible to seek compensation may  
16 submit to the Public Advisor, within 30 days after the service of the order,  
17 decision, regulation or other action of the Commissioner in the proceeding for  
18 which intervention was sought, or at the requesting petitioner’s, intervenor’s or  
19 participant’s option, within 30 days after the conclusion of the entire proceeding,  
20 a request for an award of compensation.

21 (10 CCR § 2662.3(a).) Consumer Watchdog is a longtime participant and intervenor in  
22 Department proceedings and a nationally recognized consumer advocacy organization. The  
23 Commissioner issued Consumer Watchdog’s latest Finding of Eligibility on July 26, 2022,  
24 effective for two years as of July 12, 2022, in which he found Consumer Watchdog eligible for  
25 compensation “for its representation of consumers’ interests[.]”<sup>2</sup>

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26 <sup>1</sup> Consumer Watchdog seeks advocacy fees and expenses in the amount of \$21,889.00 for the  
27 work of Consumer Watchdog’s counsel and seeks \$34,665.50 in fees billed by its consulting  
28 actuary and expert witness, Allan I. Schwartz. (See Exh. A (attached) for a summary of the fees  
and expenses requested.)

<sup>2</sup> Consumer Watchdog’s current Finding of Eligibility succeeded prior determinations issued on  
August 25, 2020, effective as of July 12, 2020; July 12, 2018; July 14, 2016, July 24, 2014;  
July 24, 2012; July 2, 2010; August 25, 2008; July 14, 2006; July 2, 2004; June 20, 2002;  
October 1, 1997; September 26, 1995; September 27, 1994; and September 13, 1993.

1 The Commissioner granted Consumer Watchdog's Petition to Intervene in the proceeding  
2 on the Application on or about August 11, 2022. (Ruling Granting Consumer Watchdog's Petition  
3 to Intervene, Aug. 11, 2022, p. 4; Powell Decl., Exh. 3.) Thus, Consumer Watchdog is eligible to  
4 seek compensation in this matter.

5 Pursuant to 10 CCR § 2662.3(a), a request for compensation is due 30 days after service  
6 of the Commissioner's decision in the proceeding in which intervention was sought or 30 days  
7 after conclusion of the entire proceeding. On February 17, 2023, the Commissioner issued an  
8 order denying Consumer Watchdog's Petition for Hearing. Accordingly, Consumer Watchdog's  
9 Request is timely pursuant to 10 CCR § 2662.3(a).<sup>3</sup>

### 10 **III. SUMMARY OF THE PROCEEDING**

11 To demonstrate Consumer Watchdog's substantial contribution to the Commissioner's  
12 decision in this proceeding and to demonstrate the reasonableness of the advocacy and witness  
13 fees requested, set forth below is a summary of Consumer Watchdog's participation in this  
14 matter.

#### 15 **A. Consumer Watchdog Petitioned for Hearing, Identifying Several Issues with the** 16 **Application**

17 On or about May 31, 2022, Applicant filed a Rate Application with the Department,  
18 seeking approval of an overall rate increase of 6.9% to its private passenger automobile line of  
19 insurance. (Powell Decl., ¶ 27.) The Department notified the public of the Application on or about  
20 June 17, 2022. (*Ibid.*)

21 Consumer Watchdog and its actuarial expert, Allan I. Schwartz, reviewed the Application  
22 in detail and determined that the proposed rate changes were excessive and/or unfairly  
23 discriminatory in violation of Insurance Code section 1861.05, subdivision (a), and the prior  
24 approval rate regulations, 10 CCR § 2644.1, et seq. (Powell Decl., ¶ 28.) Mr. Schwartz's analysis  
25 of the Application identified several specific issues that contributed to Applicant's proposed rates  
26 being excessive. (*Ibid.*)

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27  
28 <sup>3</sup> Since the 30<sup>th</sup> day falls on Sunday, March 19, the filing due date would be the next business day,  
March 20. (10 CCR §2651.1(d).)

1 On July 28, 2022, pursuant to Insurance Code section 1861.10(a), Consumer Watchdog  
2 filed its Petition including the issues on which it would provide evidence to show why  
3 Applicant's proposed rates were excessive and/or unfairly discriminatory. (Petition, pp. 4–6;  
4 Powell Decl., ¶ 29, Exh. 3.)

5 Specifically, Consumer Watchdog's Petition alleged that Auto Club failed to prove that its  
6 proposed overall 6.9% rate increase and rates currently in effect did not result in rates that were  
7 excessive, unfairly discriminatory, or otherwise in violation of the chapter under Insurance Code  
8 section 1861.05(a). Through a series of Bulletins, the Commissioner put insurers on notice  
9 starting in April 2020 that their projected losses had become overstated due to curtailed activities  
10 of policyholders after the state COVID-19 stay-at-home orders went into effect and ordered  
11 companies provide refunds or premium credits for the overcharges. As alleged by Consumer  
12 Watchdog, the private passenger auto COVID-19 refunds and/or credits provided by Auto Club to  
13 date pursuant to the orders of the Commissioner were inadequate and insufficient in relation to the  
14 reduction in claims during the COVID-19 pandemic from March 2020 through at least June 2021  
15 and, therefore, Auto Club owed additional refunds. (Petition, ¶ 8a; Powell Decl., ¶ 30.)

16 The Petition also alleged that in the company's no variance indication, the selected annual  
17 net trends for all coverages were among the highest of the possible twenty values based upon the  
18 applicable regulation. The excessive net trends overstated the projected loss ratios resulting in an  
19 inflated rate indication. Also, Applicant did not demonstrate that the selected trend factors and  
20 trend data period used were the most actuarially sound. (Petition, ¶ 8b; Powell Decl., ¶ 31.)

21 The Petition alleged that Applicant used incurred loss development in the rate templates.  
22 For the BI, PD, UM, and COLL coverages, incurred development was materially higher than paid  
23 development. The developed incurred losses were 18% higher than the developed paid losses for  
24 the most recent year for BI, about 6% higher for both PD and COLL, and about 5% higher for  
25 UM. Applicant failed to explain why there was such a large difference between the paid and  
26 incurred development. Nor did Applicant prove that the much higher incurred development  
27 method was the most actuarially sound. (Petition, ¶ 8c; Powell Decl., ¶ 32.)  
28

1 The Petition further alleged that Applicant had not shown that the institutional advertising  
2 expenses listed on page 4.1 of the rate application were appropriate. There may also have been  
3 excluded expenses for other categories as specified under the regulations, such as excessive  
4 payments to affiliates, that should be reflected in the rate calculation but were not adequately  
5 reflected in the filing. (Petition, ¶ 8d; Powell Decl., ¶ 33.)

6 The Petition also alleged that Applicant’s selected trend values in the variance request  
7 were excessive and unsupported. The excessive net trend overstated the projected loss ratios,  
8 resulting in an inflated rate indication. (Petition, ¶ 8e; Powell Decl., ¶ 34.)

9 The Petition also alleged that Applicant’s use of education and occupation as rating factors  
10 violated sections 1861.05(a) and 1861.02(a), and 10 CCR § 2632.5(d). The authorized optional  
11 rating factors that have been adopted by the Commissioner are set forth in 10 CCR § 2632.5(d),  
12 and do not include education or occupation. Applicant charged higher premiums to its “Non-  
13 Qualifying Policyholders” group than its other two rating categories based on education and  
14 occupational status. Specifically, Applicant applied a 0.921 rate multiplier (8% discount) to those  
15 in the “Scientist, Educators, Engineers[,] Medical Professionals, CPAs, and Alumni Associations”  
16 rating category, and a 0.985 rate multiplier (1.5% discount) to those in the “Lawyers” rating  
17 category, as Rating Table 36 of Applicant’s Proposed Rating Manual in the Application shows.  
18 (See Petition, Exhibit B.) Use of these rating factors to charge rates and premiums based on  
19 education and occupational status results in excessive and/or unfairly discriminatory rates in  
20 violation of sections 1861.02(a)(4) and 1861.05(a), and the application of unauthorized rating  
21 factors is in violation of section 1861.02(a)(1)–(3) and the auto rating factor regulations at 10  
22 CCR §§ 2632.4 and 2632.5. (Petition, ¶ 8f; Powell Decl., ¶ 35.)

23 Finally, the Petition alleged that the earned premiums contained in the Supplemental  
24 COVID-19 Premium Exposure and Premium Template were gross of COVID-19 refunds when  
25 they should have been net of COVID-19 refunds. (Petition, ¶ 8g; Powell Decl., ¶ 36.)

26 The Commissioner granted Consumer Watchdog’s Petition to Intervene in the proceeding  
27 on the Application on August 11, 2022, finding that Consumer Watchdog “has raised and seeks to  
28

1 address issues that are relevant to the ratemaking process.” (Ruling Granting Consumer  
2 Watchdog’s Petition to Intervene, Aug. 11, 2022, at p. 4; Powell Decl., ¶ 37, Exh. 4.)

3 On August 25, 2022, Applicant submitted a letter response to Consumer Watchdog’s  
4 Petition, in which it responded to each of the points raised in the Petition. (Letter Response to  
5 Petition, Aug. 25, 2022; Powell Decl., ¶ 38, Exh. 5.)

6 On August 30, 2022, the Commissioner issued a Supplemental Ruling Granting Consumer  
7 Watchdog’s Petition. (Supplemental Ruling Granting Consumer Watchdog’s Petition, Aug. 30,  
8 2022; Powell Decl., ¶ 39, Exh. 6.)

9 **B. Consumer Watchdog Requested Additional Information from Auto Club and**  
10 **Participated in a Three-Way Discussion with the Parties Regarding the Issues**  
11 **Identified in the Petition and Additional Submissions.**

12 On October 18, 2022, Auto Club submitted a letter to the Department requesting that the  
13 Department move forward with its review of the Application. (Exh. B hereto; Powell Decl.,  
14 ¶ 40.)

15 On January 31, 2023, Consumer Watchdog attorneys participated in a three-way  
16 teleconference with the CDI and Auto Club to discuss legal issues raised by Consumer  
17 Watchdog’s Petition. (Powell Decl., ¶ 41.) During the January 31 teleconference, the Parties  
18 discussed Consumer Watchdog’s allegations that (1) Auto Club’s COVID-19 refunds were  
19 inadequate and insufficient in relation to the reduction in claims during the COVID-19  
20 pandemic; (2) Auto Club’s use of education and occupation to provide discounts results in  
21 excessive and/or unfairly discriminatory rates, and the application of unauthorized rating factors.  
(*Ibid.*)

22 Following this teleconference, on February 2, 2023, Consumer Watchdog submitted  
23 Requests for Information to Auto Club. (Exh. C hereto; Powell Decl., ¶ 42.) With respect to the  
24 2022 financial information provided by Auto Club, Consumer Watchdog requested a breakdown  
25 of the values shown by coverage. Additionally, for each period, Consumer Watchdog requested a  
26 breakdown of both the losses incurred and LAE incurred into the following component parts:  
27 (1) amount paid; (2) starting case reserves, ending case reserves, and change in case reserves; and  
28 (3) starting IBNR reserves, ending IBNR reserves, and change in IBNR reserves. Consumer



1 Watchdog further requested a complete list and discussion of all payments to affiliates during  
2 2019, 2020, and 2021, as well as documentation comparing those actual payments to the fair  
3 market rate or value of the goods or services in the open market. Finally, Consumer Watchdog  
4 requested the dollar amount of the payments to affiliates and the amount of profit the affiliates  
5 made related to those payments. (*Ibid.*)

6 In response to a February 3 query by the Department, Consumer Watchdog explained that  
7 the requests were relevant to issued raised by Consumer Watchdog’s Petition. Specifically, with  
8 respect to the issue of excluded expenses, Consumer Watchdog’s Petition stated: *There may also*  
9 *be excluded expenses for other categories that should be reflected in the rate calculation but were*  
10 *not adequately reflected in the filing.* Consumer Watchdog pointed out that under section  
11 2644.10(g), one of the excluded expense items is: “(g) All payments to affiliates, to the extent that  
12 such payments exceed the fair market rate or value of the goods or services in the open market,”  
13 and that according to the Annual Statement for Auto Club, the company uses management  
14 agreements and service contracts between affiliates. (Exh. D hereto; Powell Decl., ¶ 43.)

15 On February 9, 2023, Auto Club responded to Consumer Watchdog’s Requests for  
16 Information. With regard to the first request, Auto Club claimed that “the requested information is  
17 not required by the petitioner and their actuary to complete their review of our rate indications.”  
18 Auto Club further claimed that “[a]ll required data, including historical paid and incurred losses,  
19 is contained in the exhibits provided by the Exchange in SERFF.” (Exh. E hereto; Powell Decl.,  
20 ¶ 44.) With regard to the second request, Auto Club explained that it had “accounted for all  
21 payments to affiliates in its annual statements filed with the Department,” and that “All such  
22 affiliate payments are based on fair market value.” (*Ibid.*)

23 Later that day, Consumer Watchdog responded with follow-up questions. It noted that  
24 with respect to the first request regarding loss experience, the Applicant sent a letter to CDI dated  
25 October 18, 2022, which attached the 2022 financial exhibit referenced and attached to its  
26 February 2 requests. That exhibit contained data not included with the filing and was based on  
27 time periods subsequent to what was included in the filing. That October 18 letter alleged, “As  
28 shown, the Exchange has experienced an underwriting loss in 2022 of over \$152 million.”

1 Consumer Watchdog noted that the information requested deals with the issue of how much of that  
2 alleged loss is due to losses and expenses actually paid, as opposed to much is attributable to  
3 changes in reserves (both case and IBNR) established by the Applicant. Consumer Watchdog  
4 offered that if the Applicant and CDI would agree that the October 18, 2022 letter and 2022  
5 financial data exhibit be given no consideration in evaluating the rate request, Consumer Watchdog  
6 would be willing to withdraw that information request. (Exh. F hereto; Powell Decl., ¶ 45.)

7 With respect to the second request, Consumer Watchdog noted that it requested not only  
8 the dollar amounts of payments to affiliates for 2019, 2020, and 2021, but also a discussion of all  
9 payments to affiliates, including documentation comparing those actual payments to the fair  
10 market rate or value of the goods or services in the open market and the amount of profit the  
11 affiliates made related to those payments, as that information is not available in the annual  
12 statements. For example, the 2021 Annual Statement shows a value of management agreements  
13 and service contracts between the Applicant and ACSC Management Services of about \$743  
14 million. As such, Consumer Watchdog requested that Auto Club provide documentation  
15 comparing the actual payments to ACSC Management Services for those agreements/contracts  
16 to the fair market rate or value of the goods or services in the open market and the amount of  
17 profit ACSC Management Services made related to those payments for 2019, 2020, and 2021.  
18 (Powell Decl., ¶ 46.)

19 On February 10, 2023, Consumer Watchdog requested additional supporting  
20 documentation for Auto Club's statement that "all such affiliate payments are based on fair  
21 market value." (Exh. G hereto; Powell Decl., ¶ 47.)

22 On February 13, 2023, Auto Club provided responses to Consumer Watchdog's  
23 February 9 follow-up questions. Auto Club confirmed that the October 18, 2022 letter and 2022  
24 financial data exhibit would not be expected to be given consideration in evaluating Auto Club's  
25 pending rate filing. With regard to the Management Agreement issue noted above, Auto Club  
26 explained that it entered into its Management Agreement with ACSC Management Services, an  
27 affiliate of Auto Club, many decades ago, and that under the agreement, ASCS Management  
28 Services agrees to act as attorney-in-fact and manage and operate the business of Auto Club,

1 performing a number of functions. Auto Club explained that in accordance with the Management  
2 Agreement, Auto Club reimburses ACSC Management Services the actual cost of the operating  
3 expense incurred in performing its functions along with a fee of less than 1% of annual premiums.  
4 Auto Club claimed that since it “consistently has lower underwriting expenses and expense ratios  
5 than most competitors . . . this payment clearly does not exceed the fair market value of the broad  
6 and important services” performed by ACSC Management, and that therefore, Auto Club does not  
7 have any payments to affiliates that meet the criteria outlined in CCR 2644.10(g). (Exh. H hereto;  
8 Powell Decl., ¶ 48.)

9 Later that day, Consumer Watchdog requested additional clarifications from Auto Club.  
10 Specifically, Consumer Watchdog sought (1) confirmation that the management fees paid from  
11 Auto Club to ACSC are calculated as the actual costs of ACSC plus an amount less than 1% of  
12 premiums, (2) written document, such as the Management Agreement, that this is the  
13 compensation agreement of Auto Club with ACSC, and (3) a recent annual financial statement of  
14 ACSC showing the income, costs, and profit. (Exh. I hereto; Powell Decl., ¶ 49.)

15 On February 14, 2023, Auto Club provided responses to Consumer Watchdog’s  
16 February 13 requests for clarification. It confirmed the amount of management fees paid to  
17 ACSC, noted that the Management Agreement is filed with the Department annually with its  
18 Form B, and claimed that the additional information requested (documentation of income, costs,  
19 and profit of ACSC) is irrelevant and would not be provided. (Exh. J hereto; Powell Decl., ¶ 50.)

20 On February 15, 2023, Consumer Watchdog requested a copy of the Management  
21 Agreement. (Exh. K hereto; Powell Decl., ¶ 51.)

22 On February 16, 2023, Auto Club wrote back and said that it would not provide the  
23 Management Agreement as it considered it proprietary information. (Exh. L hereto; Powell Decl.,  
24 ¶ 52.)

25 On February 17, 2023, Consumer Watchdog responded to Auto Club noting that it was the  
26 company’s burden to prove that its payments to affiliates did not exceed fair market value.  
27 Consumer Watchdog asserted its right as Petitioner to seek information to confirm Auto Club’s  
28 representations, and insisted that Auto Club either provide a redacted agreement containing the

1 verification information or other written documentation of the compensation agreement with  
2 ACSC. (Exh. M hereto; Powell Decl., ¶ 53.)

3 Later that day, Auto Club responded to Consumer Watchdog, once again refusing to  
4 provide a copy of the Management Agreement. (Exh. N hereto; Powell Decl., ¶ 54.)

5 On February 17, 2023, Consumer Watchdog circulated its actuary's comments and  
6 analysis of the Application, including rate indications showing that a smaller .9% overall rate  
7 increase would be justified. (Exh. O hereto; Powell Decl., ¶ 55.) That analysis discussed why the  
8 company's selected trends overstated its projected losses by providing a discussion of several  
9 sources showing decreasing inflation rates in recent months. It also pointed out issues with the  
10 company's use of incurred loss development, proposed rates for some coverages falling outside  
11 the allowable maximum to minimum rate indication range, and issues concerning the credibility  
12 the company assigned to its experience for certain coverages. (*Ibid.*)

13 Later that day, after the Department received Consumer Watchdog's analysis, the  
14 Commissioner issued an order denying Consumer Watchdog's Petition for Hearing. (Decision  
15 Denying Petitioner's Petition for Hearing, Feb. 17, 2023; Powell Decl., ¶ 56; Exh. 7.) In  
16 approving the Application, the Decision responded to each of the issues raised by Consumer  
17 Watchdog and concluded that the Parties had "exchanged correspondence, participated in  
18 teleconferences, and considered all evidence presented by the Parties. The Department is satisfied  
19 that the allegations raised in the Petition have been satisfactorily resolved . . . and is prepared to  
20 approve a rate increase of 6.9%." (Decision, p. 4; Powell Decl., ¶ 56.)

#### 21 **IV. CONSUMER WATCHDOG IS ENTITLED TO AN AWARD OF ITS REASONABLE** 22 **ADVOCACY AND WITNESS FEES**

##### 23 **A. Consumer Watchdog Made a Substantial Contribution to the Commissioner's** 24 **Final Decision.**

25 Proposition 103 requires awards of reasonable advocacy and witness fees and expenses  
26 for persons who represent the interests of consumers and who make a "substantial contribution"  
27 to decisions or orders by the Commissioner or a court. Insurance Code section 1861.10(b), states:

28 The commissioner or a court *shall award* reasonable advocacy and witness fees  
and expenses to any person who demonstrates that (1) the person represents the

1 interests of consumers, and, (2) that he or she has made a substantial contribution  
2 to the adoption of any order, regulation or decision by the commissioner or a court.

3 (Emphasis added.) As the emphasized language makes clear, when the statutory criteria are met,  
4 an award of reasonable advocacy fees and expenses is mandatory. This provision affords  
5 insurance consumers the ability to have their interests represented on an equal basis with the  
6 interests of insurers and facilitates consumer participation in the enforcement of Proposition 103.  
7 (See *Econ. Empowerment Found. v. Quackenbush* (“*EEF*”) (1997) 57 Cal.App.4th 677, 686 [the  
8 purpose of intervenor fees is to encourage consumer participation]; see also *Ass’n of California*  
9 *Ins. Cos. v. Poizner*, *supra*, 180 Cal.App.4th at 1052 [stating “the goal of fostering consumer  
10 participation in the administrative rate-setting process” as “one of the purposes of Proposition  
11 103”].) Per the voters’ instruction, the mandate of section 1861.10(b), like all of the provisions of  
12 Proposition 103, must be “liberally construed and applied in order to fully promote its underlying  
13 purposes.” (Prop. 103, § 8.) Thus, the courts have held that section 1861.10(b) should be applied  
14 in a manner “which best facilitates compensation.” (*EEF*, *supra*, 57 Cal.App.4th at 686.)

15 When they established Proposition 103’s public participation system, the voters were  
16 well aware that the Department (as distinct from the Commissioner) would become a party to a  
17 proceeding such as this. However, the voters recognized that Department staff might be subject  
18 to budgetary or other considerations in their role as regulators that might cause them to take  
19 different positions or emphasize different issues than consumer participants in a particular  
20 proceeding. The voters therefore created a system in which consumers would have their own  
21 advocates, able to protect consumers’ interests before any tribunal as zealously as lawyers for the  
22 insurance industry protect their clients’ interests—and be compensated accordingly. As the  
23 Ballot Argument in Favor of Proposition 103 explained, the initiative sought to establish “a  
24 permanent, *independent* consumer watchdog system [that] will champion the interests of  
25 insurance consumers.” (Emphasis added.) The broad substantial contribution standard enacted by  
26 section 1861.10(b), ensures that consumers will be able to participate in proceedings  
27 *independently of the Department staff*.

28 As the Court of Appeal held in *State Farm General Insurance Company v. Lara* (“*SFG*”) (2021) 71 Cal.App.5th 197, a party’s entitlement to fees under section 1861.10(a) “requires a

1 significant, distinct contribution, but not more” (*id.* at 214), as Proposition 103’s fee statute “was  
2 intended to encourage consumer participation more broadly” than other fee schemes. (*Id.* at 216.)

3 Regulations promulgated by the Commissioner provide guidance for the determination of  
4 whether consumer representatives made a “substantial contribution” in departmental proceedings.

5 The regulations provide as follows:

6 “Substantial Contribution” means that the intervenor substantially contributed,  
7 as a whole, to a decision, order, regulation, or other action of the Commissioner  
8 by presenting relevant issues, evidence, or arguments which were separate and  
9 distinct from those emphasized by the Department of Insurance staff or any  
10 other party, such that ***the intervenor’s participation resulted in more credible,  
11 and non-frivolous information being available for the Commissioner to make  
12 his or her decision than would have been available to a Commissioner had  
13 the intervenor not participated.*** A substantial contribution may be  
14 demonstrated without regard to whether a petition for hearing is granted or  
15 denied.

16 (10 CCR § 2661.1(k), emphasis added.)

17 The detailed summary of this proceeding presented in section III above, the  
18 accompanying Powell and Schwartz Declarations, and the record in this proceeding make clear  
19 that Consumer Watchdog has met the substantial contribution requirement. CWD’s counsel are  
20 veterans of over a hundred administrative proceedings concerning Proposition 103 since the  
21 law’s passage. They have also litigated challenges to Proposition 103 in the civil courts and  
22 participated in all of the cases that led to landmark judicial decisions. Consumer Watchdog  
23 counsel and consulting actuary were able to provide an effective professional balance to Auto  
24 Club’s highly qualified team of in-house counsel and actuaries. (See Powell Decl., ¶¶ 9–19.)

25 Consumer Watchdog’s substantial contribution in this proceeding, as detailed in  
26 section III above and in the accompanying Powell Declaration and further evidenced by the  
27 record in this matter, is demonstrated by at least the following:

- 28 • Consumer Watchdog’s Petition initiated the proceeding and first raised issues  
with the Application, including (1) Auto Club owed additional COVID-19  
refunds to its customers; (2) Auto Club’s excessive net trends overstated the  
projected loss ratios resulting in an inflated rate indication; (3) Auto Club failed to  
explain why there was such a large difference between paid and incurred

1 development; (4) Auto Club had not shown that it had properly accounted for  
2 institutional advertising expenses; (5) Auto Club's selected trend values in the  
3 variance request were excessive and unsupported; (6) Auto Club's use of  
4 education and occupation as rating factors violated the insurance code; and  
5 (7) Auto Club's earned premiums were gross of COVID-19 refunds when they  
6 should have been net of COVID-19 refunds.

- 7 • Consumer Watchdog attorneys participated in an initial three-way teleconference  
8 with the Department and Applicants to discuss the legal issues raised by its  
9 Petition.
- 10 • Consumer Watchdog submitted Requests for Information to Auto Club, requesting  
11 further data and documentation of the issues raised by its Petition and issues  
12 subsequently identified as discussed *supra*, section IIB. Specifically, Consumer  
13 Watchdog requested further detail and explanation regarding incurred losses and  
14 additional documentation about Auto Club's payments to affiliates relative to fair  
15 market value.
- 16 • Auto Club provided responses, though not in full, to Consumer Watchdog's  
17 Requests for Information, including additional explanations. After initially  
18 insisting that it had no duty to verify to Consumer Watchdog its representations  
19 regarding payments to affiliates, Auto Club did ultimately provide an explanation  
20 of its management fee agreement. (*See supra*, Section IIIB.)
- 21 • Consumer Watchdog's actuary prepared a written analysis and rate indications  
22 concluding a smaller overall rate increase was justified.

23 In sum, Consumer Watchdog's separate and distinct presentation of relevant issues,  
24 evidence, and arguments provided in its Petition, requests for information, and communications  
25 with the Parties, as well as the additional information it elicited from Applicant in response to the  
26 distinct issues raised by Consumer Watchdog in its Petition and in verbal and written exchange  
27 with the Applicant, resulted in more relevant, credible, and non-frivolous information being  
28 available to the Commissioner in making his final decision approving the Application than if

1 Consumer Watchdog had not participated. Thus, Consumer Watchdog clearly meets the  
2 “substantial contribution” requirement of the Insurance Code and the regulations.

3 **B. Consumer Watchdog’s Requested Advocacy Fees Are Reasonable.**

4 When a consumer representative makes a “substantial contribution,” as here, Insurance  
5 Code section 1861.10(b) requires payment of all of a consumer representative’s “reasonable  
6 advocacy and witness fees and expenses.” (Emphasis added.) As *SFG* held, “section 1861.10(b)  
7 requires only that advocacy fees be ‘reasonable,’ within the usual meaning of the term in the fees  
8 context: fair and appropriate under the circumstances.” (*SFG, supra*, 71 Cal.App.5th at 218.) That  
9 means, in general, parties “who qualify for a fee should recover compensation for all the hours  
10 reasonably spent.” (*Ibid.*, quotations omitted.) Indeed, *SFG* recognizes that “California law  
11 requires that attorney fee awards be ‘fully compensatory’” (*ibid.*, quoting *Ketchum v. Moses*  
12 (2001) 24 Cal.4th 1122, 1133), and that permitting “recovery of all reasonable fees” under section  
13 1861.10(b) supports Proposition 103’s consumer-participation purposes “by encouraging  
14 intervention in the first place and ensuring intervenors can vigorously represent consumers once  
15 involved” (*id.* at 219).

16 For its substantial contribution, Consumer Watchdog requests reasonable advocacy fees in  
17 the amount of \$21,889.00 for the work of its counsel and paralegal. The requested fees, including  
18 the total hours of work performed and the hourly rates of each Consumer Watchdog attorney, are  
19 summarized in the attached Exhibit A, “Summary of Fees.” Insurance Code section 1861.10,  
20 subdivision (b), requires an award of all “reasonable advocacy and witness fees” once the  
21 requirements of the statute are met, including making a substantial contribution. The procedural  
22 history of this matter set forth above and supported by the Powell Declaration demonstrates the  
23 reasonableness of the compensation requested in light of the amount of work performed. The  
24 procedural history and Consumer Watchdog’s time records (Powell Decl., Exh. 1a) also  
25 demonstrate the work Consumer Watchdog performed in this proceeding.

26 As required by the regulations, the specific tasks performed by Consumer Watchdog’s  
27 attorneys are set forth in its detailed time records attached as Exhibit 1a to the Powell Declaration.  
28 (See Powell Decl., ¶ 3 & Exh. 1a.) These time records were maintained contemporaneously and



1 reflect the actual time spent and actual work performed, billed to the tenth of an hour, by all  
2 Consumer Watchdog legal staff who worked on this matter. (Powell Decl., ¶ 6.) In preparing their  
3 respective time records for this request, Consumer Watchdog’s legal staff exercised billing  
4 judgment and eliminated time entries where appropriate. (Powell Decl., ¶ 5.) Consumer  
5 Watchdog submits that the time expended and work performed in the proceeding, as reflected in  
6 the time records, was reasonable and appropriate, and the minimum required to make a substantial  
7 contribution in this proceeding and to achieve the result obtained. (*Ibid.*)

8         The 2023 hourly rates set forth in Exhibit A are also reasonable and consistent with  
9 prevailing market rates. The intervenor regulations specify, “[t]he compensation awarded **shall**  
10 **equal** the market rate of the services provided.” (10 CCR § 2662.6(b), emphasis added.) “Market  
11 rate” is defined as the “prevailing rate for comparable services in the private sector in the Los  
12 Angeles and San Francisco Bay Areas **at the time of the Commissioner’s decision awarding**  
13 **compensation** for attorney advocates, non-attorney advocates, or experts with similar experience,  
14 skill and ability.” (10 CCR § 2661.1(c)(1), emphasis added.)

15         The qualifications and experience of Consumer Watchdog’s attorneys and paralegal who  
16 performed work in this matter, Pamela Pressley, Harvey Rosenfield, Benjamin Powell, and  
17 Kaitlyn Gentile, are summarized in the Powell Declaration. (Powell Decl., ¶¶ 9–23.) The  
18 Declaration of Richard M. Pearl (“Pearl Decl.”), attached as Exhibit 2 to the Powell Declaration,  
19 confirms that the requested rates for Consumer Watchdog’s counsel are consistent with prevailing  
20 market rates.<sup>4</sup> Mr. Pearl is a recognized expert on attorneys’ fees issues under California law. (See  
21 Powell Decl., Exh. 2 [Pearl Decl.], ¶¶ 3–9.) The Pearl Declaration shows that Consumer  
22 Watchdog counsel’s and paralegal’s 2023 rates are well within, if not below, the range of non-  
23 contingent rates charged by California attorneys in the Los Angeles area of equivalent experience,  
24 skill, and expertise for comparable services. (See *id.*, ¶¶ 10–19.) The Commissioner has also  
25 approved fee awards for Consumer Watchdog based on the same hourly rates Consumer  
26

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27 <sup>4</sup> The Pearl Declaration was filed on April 15, 2022 in connection with a State Farm write matter  
28 arising out of a rate proceeding and is equally applicable to this proceeding, given that Consumer  
Watchdog’s 2023 rates are within the range of rates considered reasonable for attorneys with  
comparable experience at that time.

1 Watchdog’s legal staff is currently using in 2023 for work done in 2017–2022. (Powell Decl.,  
2 ¶ 7.)

3 Finally, this Request also includes the time expended preparing the instant Request for  
4 Compensation. This is also reasonable because the regulations permit reimbursement for  
5 preparation of a request for an award of compensation. (10 CCR § 2661.1(d).) Preparing such a  
6 request requires the intervenor to perform a comprehensive review of the record, review the  
7 regulations, cite to the record in this proceeding, review billing and expense records, and prepare  
8 the Request and supporting documents.

9 **C. Consumer Watchdog’s Expert Fees Are Reasonable.**

10 Consumer Watchdog incurred reasonable expert fees of \$34,665.50 for the actuarial  
11 consulting services of Allan I. Schwartz at AIS Risk Consultants, Inc. (See Schwartz Decl.,  
12 Exh. 8.) The specific tasks performed by Mr. Schwartz are set forth in the detailed billing records  
13 of AIS Risk Consultants, Inc. (*Ibid.*) Consumer Watchdog is informed and believes that these  
14 time records were maintained contemporaneously and reflect the actual time spent and actual  
15 work performed by Mr. Schwartz and his associates. (Schwartz Decl., ¶ 14; Powell Decl., ¶ 26.)  
16 Pursuant to 10 CCR sections 2662.6(b) and 2661.1(c)(1), the expert fees billed for the actuarial  
17 consulting services of Mr. Schwartz and his staff at AIS Risk Consultants, Inc. reflect their  
18 current 2023 market rates for such services and amount to less than the total expert fees projected  
19 in Consumer Watchdog’s Petition. (*Ibid.*; see Petition, Exh. A.)

20 The Commissioner has awarded Consumer Watchdog compensation for Mr. Schwartz’s  
21 services based on his 2022 rate of \$870 per hour in prior proceedings (Decision Awarding  
22 Compensation, June 29, 2022, *In the Matter of the Rate Applications of Farmers Insurance*  
23 *Exchange, Fire Insurance Exchange, and Mid-Century Insurance Company*, File No. PA-2021-  
24 00007, p. 10; Decision Awarding Compensation, March 8, 2023, *In the Matter of the Rulemaking*  
25 *Hearing Re: Risk in Mitigation Plans and Wildfire Risk Models*, File Nos. REG-2020-00015 and  
26 REG-2020-00016, pp. 25–26; Schwartz Decl., ¶ 8.) The Commissioner also awarded Consumer  
27 Watchdog compensation for Mr. Schwartz’s actuarial consulting services based on his 2021  
28 hourly rate of \$835 in three proceedings. In the decisions awarding compensation in these matters

1 issued in 2021 for work performed in 2020–2021, the Commissioner found that the hourly rates  
2 requested for Consumer Watchdog’s attorneys and experts were reasonable. (*See* Decision  
3 Awarding Compensation, Oct. 6, 2021, *In the Matter of the Rate Applications of Farmers*  
4 *Insurance Exchange, Fire Insurance Exchange, and Mid-Century Insurance Company*, File No.  
5 PA-2020-00006, p. 10; Decision Awarding Compensation, Feb. 14, 2022, *In the Matter of the*  
6 *Rate Application of Homesite Insurance Company of California*, File No. PA-2020-00003, p. 9;  
7 Decision Awarding Compensation, Feb. 16, 2022, *In the Matter of the New Program Applications*  
8 *of Farmers Insurance Exchange and Fire Insurance Exchange*, File No. PA-2020-00004, p. 9  
9 (*Ibid.*; Schwartz Decl., Exh. 4). Mr. Schwartz’s 2023 rate of \$915 per hour is an increase of 5.2%  
10 from his 2022 rate of \$870 per hour. (*Ibid.*)

11 Mr. Schwartz’s over 40 years of professional actuarial experience include being President  
12 of AIS Risk Consultants, Assistant Commissioner of the New Jersey Department of Insurance,  
13 and chief actuary of the North Carolina Department of Insurance. His resume is attached to the  
14 accompanying Schwartz Declaration. (Schwartz Decl., ¶ 10, Exh. 5.) Consumer Watchdog  
15 submits that the time expended and work performed by Mr. Schwartz as CWD’s sole expert in  
16 this proceeding, as reflected in his time records, including review of the initial Application,  
17 formulation of issues for the Petition, drafting of requests for information, review of Auto Club’s  
18 responses and updated data, and preparation of a written analysis and rate indications was  
19 reasonable and appropriate and the minimum required to achieve the result obtained. (Powell  
20 Decl., ¶ 26; Schwartz Decl., ¶ 14, Exh. 8.)

## 21 **V. CONCLUSION**

22 In sum, Consumer Watchdog made a substantial contribution to the Commissioner’s final  
23 decision approving Auto Club’s Application by identifying relevant issues and arguments as set  
24 forth in Consumer Watchdog’s Petition and expanded upon in Consumer Watchdog’s Requests  
25 for Information, correspondence, and discussions with the Parties. In addition, during the course  
26 of the proceeding, Applicant submitted additional relevant information, argument, and evidence  
27 in response to each of the issues raised and requests for information by Consumer Watchdog that  
28 would not have otherwise been available had Consumer Watchdog not participated. The decision

1 denying Consumer Watchdog's petition explicitly stated that it considered the issues raised by  
2 Consumer Watchdog and responded to each one. Accordingly, Consumer Watchdog made a  
3 substantial contribution to the Commissioner's decision to approve the Application and is thus  
4 entitled to its reasonable advocacy and witness fees as requested in the total amount of  
5 \$56,554.50.

6  
7 DATED: March 20, 2023

Respectfully submitted,

8 Harvey Rosenfield  
9 Pamela Pressley  
10 Benjamin Powell  
11 Ryan Mellino

12 CONSUMER WATCHDOG

13 By:



14 Benjamin Powell  
15 Attorneys for CONSUMER WATCHDOG  
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**VERIFICATION OF BENJAMIN POWELL**

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1. I am a staff attorney for Consumer Watchdog. If called as a witness, I could and would testify competently to the facts stated in this verification.

2. I personally oversaw the preparation of the attached pleading entitled “Consumer Watchdog’s Request for Compensation” filed in this matter.

3. All of the factual matters alleged therein are true of my own personal knowledge, or I believe them to be true based upon the information available to me from Consumer Watchdog’s files regarding this matter.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on March 20, 2023, at Los Angeles, California.

  
\_\_\_\_\_  
Benjamin Powell

# **EXHIBIT A**

**EXHIBIT A**

**SUMMARY OF FEES AND EXPENSES**

**File No. PA-2022-00005**

<b><u>ITEMS</u></b>	<b><u>COST</u></b>
<b>1. <u>Consumer Watchdog's Fees</u></b> (Detailed in Billing Records attached as Exhibit 1a to Powell Decl.)	
Harvey Rosenfield @ \$695 per hour, 2.4 hours .....	\$1,668.00
Pamela Pressley @ \$595 per hour, 28.8 hours .....	\$17,136.00
Benjamin Powell @ \$350 per hour, 5.5 hours .....	\$1,925.00
Kaitlyn Gentile @ \$200 per hour, 5.8 hours .....	\$1,160.00
<b>Subtotal of Consumer Watchdog Fees .....</b>	<b>\$21,889.00</b>
<b>2. <u>Expert Witness Fees – AIS Risk Consultants, Inc.</u></b> (Detailed in Billing Records attached as Exhibit 8 to Schwartz Decl.)	
Allan Schwartz @ \$915 per hour, 30.0 hours .....	\$27,450.00
Katherine Tollar @ \$415 per hour, 15.1 hours .....	\$6,266.50
Mary Anne Dwyer @ \$365 per hour, 2.6 hours .....	\$949.00
<b>Subtotal of AIS Risk Consultants, Inc. Fees .....</b>	<b>\$34,665.50</b>
<b>TOTAL ADVOCACY FEES AND WITNESS FEES:</b>	<b>\$56,554.50</b>

# **EXHIBIT B**





## Interinsurance Exchange of the Automobile Club

P.O. Box 25001, Santa Ana, CA 92799-5001  
(877) 422-2100

### Delivered Electronically

October 18, 2022

Ken Allen  
Deputy Commissioner  
Rate Regulation Branch  
California Department of Insurance  
300 South Spring Street, 12<sup>th</sup> Floor  
Los Angeles, CA 90013

Re: Private Passenger Auto Filing 22-1466 (SERFF IACA-133266980) and Matter  
2022-00005

Dear Ken:

The Interinsurance Exchange of the Automobile Club (“Exchange”) submitted its private passenger auto (PPA) filing 140 days ago, on May 31, 2022. Subsequently, we waived the deemer and have not received any indication that the California Department of Insurance (“Department”) has commenced reviewing our filing. This is unprecedented, as the Department has a duty and obligation to review and approve filings in a reasonable timeframe to ensure that rates are adequate, not excessive, and not unfairly discriminatory.

The support in our filing for a 6.9% rate increase is straightforward and compelling. Since the time of filing, results have further deteriorated, reinforcing the urgent need for immediate approval. Our current rates are not adequate, and we continue to operate at a loss. The attached exhibit displays our 3<sup>rd</sup> quarter year-to-date 2022 financial results. As shown, the Exchange has experienced an underwriting loss in 2022 of over \$152 million.

The Exchange has provided quality insurance products to the people of Southern California for over 100 years and is currently one of the top five automobile insurers in the state. We employ over 8,000 people in California and support a host of other small and medium sized businesses as a result. The Department’s continued, undue delay in reviewing and approving our PPA filing will result in a negative impact on our operations. In addition, continued delay may negatively impact the health of the California insurance market given the Exchange’s market share and ranking as one of the largest PPA insurers in the state.

We look forward to continuing the positive working relationship we have maintained with the Department for decades. We kindly request that the Department immediately move forward with reviewing and approving our pending private passenger auto rate filing.

Sincerely,



Jeffrey Farr, FCAS, MAAA  
Vice President and Chief Actuary  
On the behalf of Management Services Inc.  
Attorney-in-Fact for the Interinsurance Exchange of the Automobile Club

CC:

John Boyle (Exchange)  
Kathy Sieck (Exchange)  
Lincoln Tomlin (Exchange)  
Ricardo Lara (Department)  
Ken Schnoll (Department)  
Cecilia Padua (Department)  
Lisbeth Landsman-Smith (Department)  
Jamie Katz (Department)  
Alec Stone (Department)  
Tina Warren (Department)  
Harvey Rosenfield (CW)  
Pamela Pressley (CW)  
Kaitlyn Gentile (CW)  
Ryan Mellino (CW)  
Ben Powell (CW)

**INTERINSURANCE EXCHANGE OF THE AUTOMOBILE CLUB - CA PERSONAL AUTO**

	<u>1st Qtr 2022</u>	<u>2nd Qtr 2022</u>	<u>3rd Qtr 2022</u>	<u>YTD September 2022</u>
		(in thousands of dollars)		
1 Premiums Earned	705,597	720,908	738,920	2,165,425
2 Losses Incurred	485,682	538,414	588,042	1,612,138
3 LAE Incurred	68,185	69,743	84,208	222,136
4 Underwriting Expenses	<u>161,468</u>	<u>160,490</u>	<u>161,683</u>	<u>483,641</u>
5 Net Underwriting Gain/(Loss)	<u>(9,738)</u>	<u>(47,739)</u>	<u>(95,013)</u>	<u>(152,490)</u>

# **EXHIBIT C**

**Subject:** Re: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466  
**Date:** Thursday, February 2, 2023 at 12:38:24 PM Pacific Standard Time  
**From:** Pam Pressley  
**To:** Tomlin.Lincoln, Lisbeth Landsman-Smith, Cecilia Padua, Harvey Rosenfield, Ryan Mellino, Ben Powell, Katz, Jamie, Stone, Alec, Kaitlyn Gentile, Warren, Tina  
**CC:** Ken Allen, adam.gammell@insurance.ca.gov  
**Attachments:** image001.jpg, image002.jpg, Interins Exchange 2022 financial results.pdf

Consumer Watchdog requests the following information from Interinsurance Exchange of the Automobile Club.

1. With respect to the 2022 financial information provided by the company in the attached pdf, please provide:
  - > A breakdown of the values shown by coverage.
  - > For each period a breakdown of both the losses incurred and LAE incurred into the following component parts
    1. amount paid
    2. starting case reserves, ending case reserves and change in case reserves
    3. starting IBNR reserves, ending IBNR reserves and change in IBNR reserves
2. Provide a complete list and discussion of all payments to affiliates during 2019, 2020 and 2021. Provide documentation comparing those actual payments to the fair market rate or value of the goods or services in the open market. Also include the dollar amount of the payments to affiliates and the amount of profit the affiliates made related to those payments

Thank you,

Pam

--

Pamela Pressley  
Senior Staff Attorney  
Consumer Watchdog  
[www.consumerwatchdog.org](http://www.consumerwatchdog.org)  
6330 San Vicente Blvd., Suite 250  
Los Angeles, CA 90048  
310-392-1372  
310-392-8874 fax  
[pam@consumerwatchdog.org](mailto:pam@consumerwatchdog.org)

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---

**From:** Tomlin.Lincoln <Tomlin.Lincoln@aaa-calif.com>  
**Date:** Friday, January 20, 2023 at 1:49 PM  
**To:** Lisbeth Landsman-Smith <Lisbeth.Landsman@insurance.ca.gov>, Cecilia Padua <Cecilia.Padua@insurance.ca.gov>, Harvey Rosenfield <harvey@consumerwatchdog.org>, Pam Pressley <pam@consumerwatchdog.org>, Ryan Mellino

<Ryan.m@consumerwatchdog.onmicrosoft.com>, Ben Powell <ben@consumerwatchdog.org>, Katz, Jamie <Jamie.Katz@insurance.ca.gov>, Stone, Alec <Alec.Stone@insurance.ca.gov>, Kaitlyn Gentile <kaitlyn@consumerwatchdog.org>, Warren, Tina <Tina.Warren@insurance.ca.gov>  
**Cc:** Ken Allen <Ken.Allen@insurance.ca.gov>, adam.gammell@insurance.ca.gov <adam.gammell@insurance.ca.gov>

**Subject:** In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466

Hello,

This email is to notify interested parties that the Interinsurance Exchange of the Automobile Club has submitted responses in SERFF to the recent set of objections related to PPA filing 22-1466 (IACA-133266980).

Thank you,

**Lincoln K. Tomlin (He/Him/His), CPCU**  
Vice President, Public and Government Affairs  
Auto Club Enterprises  
*Office | (714) 885-2315*



**MANAGE YOUR POLICY**  
**ANYTIME, ANYWHERE.** [AAA.COM/SELFserve](http://AAA.COM/SELFserve)

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Don't drive intoxicated.  
Don't drive intoxicated.  
A sobering message from AAA

# **EXHIBIT D**



Don't drive intoxicated.  
Don't drive intoxicated.

A sobering message from AAA

**From:** Pam Pressley <pam@consumerwatchdog.org>

**Sent:** Friday, February 3, 2023 4:28 PM

**To:** Lisbeth Landsman-Smith <Lisbeth.Landsman@insurance.ca.gov>; Tomlin.Lincoln <Tomlin.Lincoln@aaa-calif.com>; Cecilia Padua <Cecilia.Padua@insurance.ca.gov>; Harvey Rosenfield <harvey@consumerwatchdog.org>; Ryan Mellino <Ryan.m@consumerwatchdog.onmicrosoft.com>; Ben Powell <ben@consumerwatchdog.org>; Katz, Jamie <Jamie.Katz@insurance.ca.gov>; Stone, Alec <Alec.Stone@insurance.ca.gov>; Kaitlyn Gentile <kaitlyn@consumerwatchdog.org>; Warren, Tina <Tina.Warren@insurance.ca.gov>

**Cc:** Ken Allen <Ken.Allen@insurance.ca.gov>; Gammell, Adam <Adam.Gammell@insurance.ca.gov>

**Subject:** Re: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466

**CAUTION! EXTERNAL SENDER! STOP, ASSESS, AND VERIFY**

Do you know this person? Were you expecting this email? If not, report it using the Report Phishing Button!

Lisbeth,

Both requests are relevant to issues raised Consumer Watchdog's Petition (see, e.g., ¶8c (improper loss development) and ¶8d (excluded expenses)) and requested by our actuary to complete his analysis and rate indications. With respect to the issue of excluded expenses, our petition stated: *There may also be excluded expenses for other categories that should be reflected in the rate calculation but were not adequately reflected in the filing.* Under section 2644.10(g), one of the excluded expense items is: "(g) All payments to affiliates, to the extent that such payments exceed the fair market rate or value of the goods or services in the open market." According to the Annual Statement for IIECA, the company uses management agreements and service contracts between affiliates.

Thank you,

Pam

--

Pamela Pressley

Senior Staff Attorney

Consumer Watchdog

[www.consumerwatchdog.org](http://www.consumerwatchdog.org)

6330 San Vicente Blvd., Suite 250

Los Angeles, CA 90048

310-392-1372

310-392-8874 fax

[pam@consumerwatchdog.org](mailto:pam@consumerwatchdog.org)

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**From:** Landsman, Lisbeth <[Lisbeth.Landsman@insurance.ca.gov](mailto:Lisbeth.Landsman@insurance.ca.gov)>

**Date:** Friday, February 3, 2023 at 12:05 PM



**To:** Pam Pressley <[pam@consumerwatchdog.org](mailto:pam@consumerwatchdog.org)>, Tomlin.Lincoln <[Tomlin.Lincoln@aaa-calif.com](mailto:Tomlin.Lincoln@aaa-calif.com)>, Cecilia Padua <[Cecilia.Padua@insurance.ca.gov](mailto:Cecilia.Padua@insurance.ca.gov)>, Harvey Rosenfield <[harvey@consumerwatchdog.org](mailto:harvey@consumerwatchdog.org)>, Ryan Mellino <[Ryan.m@consumerwatchdog.onmicrosoft.com](mailto:Ryan.m@consumerwatchdog.onmicrosoft.com)>, Ben Powell <[ben@consumerwatchdog.org](mailto:ben@consumerwatchdog.org)>, Katz, Jamie <[Jamie.Katz@insurance.ca.gov](mailto:Jamie.Katz@insurance.ca.gov)>, Stone, Alec <[Alec.Stone@insurance.ca.gov](mailto:Alec.Stone@insurance.ca.gov)>, Kaitlyn Gentile <[kaitlyn@consumerwatchdog.org](mailto:kaitlyn@consumerwatchdog.org)>, Warren, Tina <[Tina.Warren@insurance.ca.gov](mailto:Tina.Warren@insurance.ca.gov)>

**Cc:** Ken Allen <[Ken.Allen@insurance.ca.gov](mailto:Ken.Allen@insurance.ca.gov)>, Gammell, Adam <[Adam.Gammell@insurance.ca.gov](mailto:Adam.Gammell@insurance.ca.gov)>

**Subject:** RE: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466

Pam, please explain the basis for your two questions below. Are they intended to help you determine paid vs. incurred losses or COVID refunds? Or is there another reason you are asking for this information? Thanks, Lisbeth

---

**From:** Pam Pressley <[pam@consumerwatchdog.org](mailto:pam@consumerwatchdog.org)>

**Sent:** Thursday, February 2, 2023 12:38 PM

**To:** Tomlin.Lincoln <[Tomlin.Lincoln@aaa-calif.com](mailto:Tomlin.Lincoln@aaa-calif.com)>; Landsman, Lisbeth <[Lisbeth.Landsman@insurance.ca.gov](mailto:Lisbeth.Landsman@insurance.ca.gov)>; Padua, Cecilia <[Cecilia.Padua@insurance.ca.gov](mailto:Cecilia.Padua@insurance.ca.gov)>; Harvey Rosenfield <[harvey@consumerwatchdog.org](mailto:harvey@consumerwatchdog.org)>; Ryan Mellino <[Ryan.m@consumerwatchdog.onmicrosoft.com](mailto:Ryan.m@consumerwatchdog.onmicrosoft.com)>; Ben Powell <[ben@consumerwatchdog.org](mailto:ben@consumerwatchdog.org)>; Katz, Jamie <[Jamie.Katz@insurance.ca.gov](mailto:Jamie.Katz@insurance.ca.gov)>; Stone, Alec <[Alec.Stone@insurance.ca.gov](mailto:Alec.Stone@insurance.ca.gov)>; Kaitlyn Gentile <[kaitlyn@consumerwatchdog.org](mailto:kaitlyn@consumerwatchdog.org)>; Warren, Tina <[Tina.Warren@insurance.ca.gov](mailto:Tina.Warren@insurance.ca.gov)>

**Cc:** Allen, Ken <[Ken.Allen@insurance.ca.gov](mailto:Ken.Allen@insurance.ca.gov)>; Gammell, Adam <[Adam.Gammell@insurance.ca.gov](mailto:Adam.Gammell@insurance.ca.gov)>

**Subject:** Re: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466

Consumer Watchdog requests the following information from Interinsurance Exchange of the Automobile Club.

1. With respect to the 2022 financial information provided by the company in the attached pdf, please provide:
  - > A breakdown of the values shown by coverage.
  - > For each period a breakdown of both the losses incurred and LAE incurred into the following component parts
    1. amount paid
    2. starting case reserves, ending case reserves and change in case reserves
    3. starting IBNR reserves, ending IBNR reserves and change in IBNR reserves
2. Provide a complete list and discussion of all payments to affiliates during 2019, 2020 and 2021. Provide documentation comparing those actual payments to the fair market rate or value of the goods or services in the open market. Also include the dollar amount of the payments to affiliates and the amount of profit the affiliates made related to those payments

Thank you,

Pam

--

Pamela Pressley  
Senior Staff Attorney  
Consumer Watchdog  
[www.consumerwatchdog.org](http://www.consumerwatchdog.org)

# **EXHIBIT E**

**Subject:** RE: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466  
**Date:** Thursday, February 9, 2023 at 1:50:55 PM Pacific Standard Time  
**From:** Tomlin.Lincoln  
**To:** Pam Pressley, Lisbeth Landsman-Smith, Cecilia Padua, Harvey Rosenfield, Ryan Mellino, Ben Powell, Katz, Jamie, Stone, Alec, Kaitlyn Gentile, Warren, Tina  
**CC:** Ken Allen, Gammell, Adam  
**Attachments:** image001.jpg, image002.jpg

Please see the Exchange's responses to the petitioner's requests captured below:

Request 1: With respect to the 2022 financial information provided by the company in the attached pdf, please provide:

> A breakdown of the values shown by coverage.

> For each period a breakdown of both the losses incurred and LAE incurred into the following component parts

1. amount paid
2. starting case reserves, ending case reserves and change in case reserves
3. starting IBNR reserves, ending IBNR reserves and change in IBNR reserves

Response 1: The requested information is not required by the petitioner and their actuary to complete their review of our rate indications. The 2022 calendar year financial exhibit provided by the Exchange cannot be used to derive rate indications. This work must be done using accident year losses, in keeping with the California Code of Regulations and CDI filing instructions. All required data, including historical paid and incurred losses, is contained in the exhibits provided by the Exchange in SERFF. Those exhibits, along with any associated CDI objections and responses by the Exchange are available to all parties.

Request 2: Provide a complete list and discussion of all payments to affiliates during 2019, 2020 and 2021. Provide documentation comparing those actual payments to the fair market rate or value of the goods or services in the open market. Also include the dollar amount of the payments to affiliates and the amount of profit the affiliates made related to those payments

Response 2: The Exchange has accounted for all payments to affiliates in its annual statements filed with the Department (refer to page 14.6, note #10). All such affiliate payments are based on fair market value.

Thank you!

**Lincoln K. Tomlin (He/Him/His), CPCU**  
Vice President, Public and Government Affairs  
Auto Club Enterprises  
Office | (714) 885-2315

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# **EXHIBIT F**

**Subject:** Re: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466

**Date:** Thursday, February 9, 2023 at 2:47:50 PM Pacific Standard Time

**From:** Pam Pressley

**To:** Tomlin.Lincoln, Lisbeth Landsman-Smith, Cecilia Padua, Harvey Rosenfield, Ryan Mellino, Ben Powell, Katz, Jamie, Stone, Alec, Kaitlyn Gentile, Warren, Tina

**CC:** Ken Allen, Gammell, Adam

**Attachments:** image001.jpg, image002.jpg

Mr. Tomlin,

With respect to request #1 regarding loss experience, the Applicant sent a letter to CDI dated October 18, 2022, which attached the 2022 financial exhibit referenced and attached to our 2/2 requests. That exhibit contained data not included with the filing, and based on time periods subsequent to what was included in the filing. That October 18 letter alleged "As shown, the Exchange has experienced an underwriting loss in 2022 of over \$152 million." The information requested deals with the issue of how much of that alleged loss is due to losses and expenses actually paid, as opposed to much is attributable to changes in reserves (both case and IBNR) established by the Applicant. If the Applicant and CDI would agree that the October 18, 2022 letter and 2022 financial data exhibit will be given no consideration in evaluating the rate request, CWD is willing to withdraw that information request.

With respect to request #2, we requested not only the dollar amounts of payments to affiliates for 2019, 2020, and 2021, but also a discussion of all payments to affiliates, including documentation comparing those actual payments to the fair market rate or value of the goods or services in the open market and the amount of profit the affiliates made related to those payments. That information is not available in the annual statements. For example, the 2021 Annual Statement shows a value of management agreements and service contracts between the Applicant and ACSC Management Services of about \$743 million. Please provide documentation comparing the actual payments to ACSC Management Services for those agreements/contracts to the fair market rate or value of the goods or services in the open market and the amount of profit ACSC Management Services made related to those payments for 2019, 2020, and 2021.

Thank you,

Pam

Pamela Pressley  
Senior Staff Attorney  
Consumer Watchdog  
[www.consumerwatchdog.org](http://www.consumerwatchdog.org)  
6330 San Vicente Blvd., Suite 250  
Los Angeles, CA 90048  
310-392-1372  
310-392-8874 fax  
[pam@consumerwatchdog.org](mailto:pam@consumerwatchdog.org)

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---

**From:** Tomlin.Lincoln <Tomlin.Lincoln@aaa-calif.com>

**Date:** Thursday, February 9, 2023 at 1:50 PM

# **EXHIBIT G**

**Subject:** Re: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466  
**Date:** Friday, February 10, 2023 at 3:05:26 PM Pacific Standard Time  
**From:** Pam Pressley  
**To:** Tomlin.Lincoln, Lisbeth Landsman-Smith, Cecilia Padua, Harvey Rosenfield, Ryan Mellino, Ben Powell, Katz, Jamie, Stone, Alec, Kaitlyn Gentile, Warren, Tina  
**CC:** Ken Allen, Gammell, Adam  
**Attachments:** image001.jpg, image002.jpg

Mr. Tomlin,

In addition to the information we requested in request #2 as reiterated in my email yesterday, please provide any documentation to support your statement: "All such affiliate payments are based on fair market value."

Thank you,

--

Pamela Pressley  
Senior Staff Attorney  
Consumer Watchdog  
[www.consumerwatchdog.org](http://www.consumerwatchdog.org)  
6330 San Vicente Blvd., Suite 250  
Los Angeles, CA 90048  
310-392-1372  
310-392-8874 fax  
[pam@consumerwatchdog.org](mailto:pam@consumerwatchdog.org)

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---

**From:** Pam Pressley <[pam@consumerwatchdog.org](mailto:pam@consumerwatchdog.org)>  
**Date:** Thursday, February 9, 2023 at 2:47 PM  
**To:** Tomlin.Lincoln <[Tomlin.Lincoln@aaa-calif.com](mailto:Tomlin.Lincoln@aaa-calif.com)>, Lisbeth Landsman-Smith <[Lisbeth.Landsman@insurance.ca.gov](mailto:Lisbeth.Landsman@insurance.ca.gov)>, Cecilia Padua <[Cecilia.Padua@insurance.ca.gov](mailto:Cecilia.Padua@insurance.ca.gov)>, Harvey Rosenfield <[harvey@consumerwatchdog.org](mailto:harvey@consumerwatchdog.org)>, Ryan Mellino <[Ryan.m@consumerwatchdog.onmicrosoft.com](mailto:Ryan.m@consumerwatchdog.onmicrosoft.com)>, Ben Powell <[ben@consumerwatchdog.org](mailto:ben@consumerwatchdog.org)>, Katz, Jamie <[Jamie.Katz@insurance.ca.gov](mailto:Jamie.Katz@insurance.ca.gov)>, Stone, Alec <[Alec.Stone@insurance.ca.gov](mailto:Alec.Stone@insurance.ca.gov)>, Kaitlyn Gentile <[kaitlyn@consumerwatchdog.org](mailto:kaitlyn@consumerwatchdog.org)>, Warren, Tina <[Tina.Warren@insurance.ca.gov](mailto:Tina.Warren@insurance.ca.gov)>  
**Cc:** Ken Allen <[Ken.Allen@insurance.ca.gov](mailto:Ken.Allen@insurance.ca.gov)>, Gammell, Adam <[Adam.Gammell@insurance.ca.gov](mailto:Adam.Gammell@insurance.ca.gov)>  
**Subject:** Re: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466

Mr. Tomlin,

# **EXHIBIT H**



**Subject:** RE: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466

**Date:** Monday, February 13, 2023 at 12:49:10 PM Pacific Standard Time

**From:** Tomlin.Lincoln

**To:** Pam Pressley, Lisbeth Landsman-Smith, Cecilia Padua, Harvey Rosenfield, Ryan Mellino, Ben Powell, Katz, Jamie, Stone, Alec, Kaitlyn Gentile, Warren, Tina

**CC:** Ken Allen, Gammell, Adam

**Attachments:** image001.jpg, image002.jpg

Hello,

The Exchange's responses appear below directly after each of the follow-up requests from Feb. 9 posed by the petitioner:

#### Request #1

With respect to request #1 regarding loss experience, the Applicant sent a letter to CDI dated October 18, 2022, which attached the 2022 financial exhibit referenced and attached to our 2/2 requests. That exhibit contained data not included with the filing, and based on time periods subsequent to what was included in the filing. That October 18 letter alleged "As shown, the Exchange has experienced an underwriting loss in 2022 of over \$152 million." The information requested deals with the issue of how much of that alleged loss is due to losses and expenses actually paid, as opposed to much is attributable to changes in reserves (both case and IBNR) established by the Applicant. If the Applicant and CDI would agree that the October 18, 2022 letter and 2022 financial data exhibit will be given no consideration in evaluating the rate request, CWD is willing to withdraw that information request.

#### Response to #1

The Exchange confirms the October 18, 2022 letter and 2022 financial data exhibit are not expected to be given consideration in evaluating the Exchange's pending rate filing.

#### Request #2

With respect to request #2, we requested not only the dollar amounts of payments to affiliates for 2019, 2020, and 2021, but also a discussion of all payments to affiliates, including documentation comparing those actual payments to the fair market rate or value of the goods or services in the open market and the amount of profit the affiliates made related to those payments. That information is not available in the annual statements. For example, the 2021 Annual Statement shows a value of management agreements and service contracts between the Applicant and ACSC Management Services of about \$743 million. Please provide documentation comparing the actual payments to ACSC Management Services for those agreements/contracts to the fair market rate or value of the goods or services in the open market and the amount of profit ACSC Management Services made related to those payments for 2019, 2020, and 2021.

#### Response to #2

The Exchange entered into its Management Agreement with ACSC Management Services (MS), an affiliate of the Exchange, many decades ago. The Exchange files a copy of this Agreement with the Department annually. The terms and conditions of the Management Agreement, including payment due to MS, has not changed in decades.

Under this agreement, MS agrees to act as attorney-in-fact and manage and operate the business of the Exchange, including performing many functions including the following:

- All actuarial functions
- All underwriting functions
- All claims functions, and legal services related thereto
- Financial functions associated with the business of the Exchange, including accounting services, internal auditing, remittance processing, financial planning, tax administration, purchasing administration and investment planning
- Information systems, including insurance systems, technical services, planning and administration
- Human resources functions, including recruiting, training and development and employee benefits
- Marketing, advertising and promotional activities, market research and product management
- General legal services
- Various administrative services

The Exchange relies on MS for these functions as the Exchange has no employees of its own. In accordance with the Management Agreement, the Exchange reimburses MS the actual cost of the operating expense incurred by MS in performing these functions for the Exchange along with a fee of less than 1% of premiums earned annually. Furthermore, the Exchange consistently has lower underwriting expenses and expense ratios than most competitors, so this payment clearly does not exceed the fair market value of the broad and important services MS performs for the Exchange. Therefore, the Exchange does not have any payments to affiliates that meet the criteria outlined in CCR 2644.10(g).

Thank you,

**Lincoln K. Tomlin (He/Him/His), CPCU**  
Vice President, Public and Government Affairs  
Auto Club Enterprises  
Office | (714) 885-2315



---

**From:** Pam Pressley <pam@consumerwatchdog.org>  
**Sent:** Thursday, February 9, 2023 2:48 PM  
**To:** Tomlin.Lincoln <Tomlin.Lincoln@aaa-calif.com>; Lisbeth Landsman-Smith <Lisbeth.Landsman@insurance.ca.gov>; Cecilia Padua <Cecilia.Padua@insurance.ca.gov>; Harvey Rosenfield <harvey@consumerwatchdog.org>; Ryan Mellino <Ryan.m@consumerwatchdog.onmicrosoft.com>; Ben Powell <ben@consumerwatchdog.org>; Katz, Jamie <Jamie.Katz@insurance.ca.gov>; Stone, Alec <Alec.Stone@insurance.ca.gov>; Kaitlyn Gentile <kaitlyn@consumerwatchdog.org>; Warren, Tina <Tina.Warren@insurance.ca.gov>  
**Cc:** Ken Allen <Ken.Allen@insurance.ca.gov>; Gammell, Adam <Adam.Gammell@insurance.ca.gov>

# **EXHIBIT I**

**Subject:** Re: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466  
**Date:** Monday, February 13, 2023 at 3:02:10 PM Pacific Standard Time  
**From:** Pam Pressley  
**To:** Tomlin.Lincoln, Lisbeth Landsman-Smith, Cecilia Padua, Harvey Rosenfield, Ryan Mellino, Ben Powell, Katz, Jamie, Stone, Alec, Kaitlyn Gentile, Warren, Tina  
**CC:** Ken Allen, Gammell, Adam  
**Attachments:** image001.jpg, image002.jpg

Thank you, Mr. Tomlin. We have a few follow up requests regarding the explanation you provided in your 2/13 email on Request #2:

> Confirmation that the management fees paid from IEAA to ACSC are calculated as the actual costs of ACSC MS plus an amount less than 1% of premiums.

> Provide written documentation, such as the Management Agreement, that this is the compensation agreement of IEAA with ACSC.

> A recent annual financial statement of ACSC showing the income, costs and profit.

Thank you,

Pam

--

Pamela Pressley  
Senior Staff Attorney  
Consumer Watchdog  
[www.consumerwatchdog.org](http://www.consumerwatchdog.org)  
6330 San Vicente Blvd., Suite 250  
Los Angeles, CA 90048  
310-392-1372  
310-392-8874 fax  
[pam@consumerwatchdog.org](mailto:pam@consumerwatchdog.org)

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---

**From:** Tomlin.Lincoln <Tomlin.Lincoln@aaa-calif.com>  
**Date:** Monday, February 13, 2023 at 12:49 PM  
**To:** Pam Pressley <pam@consumerwatchdog.org>, Lisbeth Landsman-Smith <Lisbeth.Landsman@insurance.ca.gov>, Cecilia Padua <Cecilia.Padua@insurance.ca.gov>, Harvey Rosenfield <harvey@consumerwatchdog.org>, Ryan Mellino <Ryan.m@consumerwatchdog.onmicrosoft.com>, Ben Powell <ben@consumerwatchdog.org>, Katz, Jamie <Jamie.Katz@insurance.ca.gov>, Stone, Alec <Alec.Stone@insurance.ca.gov>, Kaitlyn Gentile <kaitlyn@consumerwatchdog.org>, Warren, Tina <Tina.Warren@insurance.ca.gov>  
**Cc:** Ken Allen <Ken.Allen@insurance.ca.gov>, Gammell, Adam <Adam.Gammell@insurance.ca.gov>  
**Subject:** RE: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466

# **EXHIBIT J**

**Subject:** RE: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466  
**Date:** Tuesday, February 14, 2023 at 8:46:16 AM Pacific Standard Time  
**From:** Tomlin.Lincoln  
**To:** Pam Pressley, Ken Allen, Gammell, Adam, Lisbeth Landsman-Smith, Cecilia Padua, Harvey Rosenfield, Ryan Mellino, Ben Powell, Katz, Jamie, Stone, Alec, Kaitlyn Gentile, Warren, Tina  
**Attachments:** image001.jpg, image002.jpg

Ms. Pam Pressley,

Please see below the Exchange's responses to your last set of requests:

Confirmation that the management fees paid from IEAA to ACSC are calculated as the actual costs of ACSC MS plus an amount less than 1% of premiums. Confirmed

Provide written documentation, such as the Management Agreement, that this is the compensation agreement of IEAA with ACSC. The Exchange files a copy of the Management Agreement with the Department annually with its Form B. Consequently there is no need to provide an additional copy to the Department.

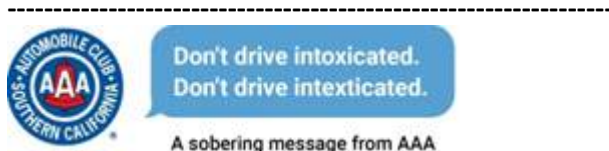
A recent annual financial statement of ACSC showing the income, costs and profit. See response to question 1. This additional information is irrelevant.

Mr. Ken Allen and Department Staff,

The Exchange has provided the necessary additional information in response to the petitioner's requests for the Department to conclude its review. Accordingly, the Exchange requests that the Department approve our filing and avoid additional unreasonable delay.

Thank you,

**Lincoln K. Tomlin (He/Him/His), CPCU**  
Vice President, Public and Government Affairs  
Auto Club Enterprises  
Office | (714) 885-2315



---

**From:** Pam Pressley <pam@consumerwatchdog.org>  
**Sent:** Monday, February 13, 2023 3:02 PM  
**To:** Tomlin.Lincoln <Tomlin.Lincoln@aaa-calif.com>; Lisbeth Landsman-Smith <Lisbeth.Landsman@insurance.ca.gov>; Cecilia Padua <Cecilia.Padua@insurance.ca.gov>; Harvey Rosenfield <harvey@consumerwatchdog.org>; Ryan Mellino <Ryan.m@consumerwatchdog.onmicrosoft.com>; Ben

# **EXHIBIT K**

**Subject:** Re: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466  
**Date:** Wednesday, February 15, 2023 at 12:36:52 PM Pacific Standard Time  
**From:** Pam Pressley  
**To:** Tomlin.Lincoln, Ken Allen, Gammell, Adam, Lisbeth Landsman-Smith, Cecilia Padua, Harvey Rosenfield, Ryan Mellino, Ben Powell, Katz, Jamie, Stone, Alec, Kaitlyn Gentile, Warren, Tina  
**Attachments:** image001.jpg, image002.jpg

Mr. Tomlin,

Please provide a copy of the Management Agreement to Consumer Watchdog or direct us to where it can be downloaded online. Based on the information provided by Applicant to date, Consumer Watchdog aims to circulate its indications by this Friday, or Tuesday at the latest. (Monday is President's Day Holiday) We can provide an update of our timing tomorrow and availability for a 3-way call to discuss any remaining issues.

Thank you,

--

Pamela Pressley  
Senior Staff Attorney  
Consumer Watchdog  
[www.consumerwatchdog.org](http://www.consumerwatchdog.org)  
6330 San Vicente Blvd., Suite 250  
Los Angeles, CA 90048  
310-392-1372  
310-392-8874 fax  
[pam@consumerwatchdog.org](mailto:pam@consumerwatchdog.org)

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---

**From:** Tomlin.Lincoln <Tomlin.Lincoln@aaa-calif.com>  
**Date:** Tuesday, February 14, 2023 at 8:46 AM  
**To:** Pam Pressley <pam@consumerwatchdog.org>, Ken Allen <Ken.Allen@insurance.ca.gov>, Gammell, Adam <Adam.Gammell@insurance.ca.gov>, Lisbeth Landsman-Smith <Lisbeth.Landsman@insurance.ca.gov>, Cecilia Padua <Cecilia.Padua@insurance.ca.gov>, Harvey Rosenfield <harvey@consumerwatchdog.org>, Ryan Mellino <Ryan.m@consumerwatchdog.onmicrosoft.com>, Ben Powell <ben@consumerwatchdog.org>, Katz, Jamie <Jamie.Katz@insurance.ca.gov>, Stone, Alec <Alec.Stone@insurance.ca.gov>, Kaitlyn Gentile <kaitlyn@consumerwatchdog.org>, Warren, Tina <Tina.Warren@insurance.ca.gov>  
**Subject:** RE: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466

Ms. Pam Pressley,

Please see below the Exchange's responses to your last set of requests:

Confirmation that the management fees paid from IEAA to ACSC are calculated as the actual costs of ACSC MS plus an amount less than 1% of premiums. Confirmed



# **EXHIBIT L**

**Subject:** RE: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466  
**Date:** Thursday, February 16, 2023 at 3:03:57 PM Pacific Standard Time  
**From:** Tomlin.Lincoln  
**To:** Pam Pressley, Ken Allen, Gammell, Adam, Lisbeth Landsman-Smith, Cecilia Padua, Harvey Rosenfield, Ryan Mellino, Ben Powell, Katz, Jamie, Stone, Alec, Kaitlyn Gentile, Warren, Tina  
**Attachments:** image001.jpg, image002.jpg

Ms. Pressley,

The Exchange's Management Agreement is proprietary and the Exchange will not send a copy of its Management Agreement to the petitioner. The Department has a copy of the Management Agreement and can confirm our representations. The petitioner does not need a copy of the Management Agreement to complete its review. The Management Agreement is not available online.

Thank you,

**Lincoln K. Tomlin (He/Him/His), CPCU**  
Vice President, Public and Government Affairs  
Auto Club Enterprises  
Office | (714) 885-2315



---

**From:** Pam Pressley <pam@consumerwatchdog.org>  
**Sent:** Wednesday, February 15, 2023 12:37 PM  
**To:** Tomlin.Lincoln <Tomlin.Lincoln@aaa-calif.com>; Ken Allen <Ken.Allen@insurance.ca.gov>; Gammell, Adam <Adam.Gammell@insurance.ca.gov>; Lisbeth Landsman-Smith <Lisbeth.Landsman@insurance.ca.gov>; Cecilia Padua <Cecilia.Padua@insurance.ca.gov>; Harvey Rosenfield <harvey@consumerwatchdog.org>; Ryan Mellino <Ryan.m@consumerwatchdog.onmicrosoft.com>; Ben Powell <ben@consumerwatchdog.org>; Katz, Jamie <Jamie.Katz@insurance.ca.gov>; Stone, Alec <Alec.Stone@insurance.ca.gov>; Kaitlyn Gentile <kaitlyn@consumerwatchdog.org>; Warren, Tina <Tina.Warren@insurance.ca.gov>  
**Subject:** Re: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466

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Mr. Tomlin,

Please provide a copy of the Management Agreement to Consumer Watchdog or direct us to where it can be downloaded online. Based on the information provided by Applicant to date, Consumer Watchdog aims to

# **EXHIBIT M**

**Subject:** Re: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466  
**Date:** Friday, February 17, 2023 at 11:03:13 AM Pacific Standard Time  
**From:** Pam Pressley  
**To:** Tomlin.Lincoln, Ken Allen, Gammell, Adam, Lisbeth Landsman-Smith, Cecilia Padua, Harvey Rosenfield, Ryan Mellino, Ben Powell, Katz, Jamie, Stone, Alec, Kaitlyn Gentile, Warren, Tina  
**Attachments:** image001.jpg, image002.jpg

Mr. Tomlin,

We asked for written confirmation (“such as the management agreement”) of your statement regarding the management fees being cost of service, plus a fee of less than 1%. It is the company’s burden to prove that their payments to affiliates do not exceed fair market value, not the CDI’s or Intervenor’s burden. As a party to this proceeding, Consumer Watchdog raised this issue in our petition and has a right to seek information to confirm your representations. Please either provide the agreement containing that statement with any portions you claim are proprietary redacted or other written documentation of the compensation agreement with ACSC.

Thank you,

Pamela Pressley  
Senior Staff Attorney  
Consumer Watchdog  
[www.consumerwatchdog.org](http://www.consumerwatchdog.org)  
6330 San Vicente Blvd., Suite 250  
Los Angeles, CA 90048  
310-392-1372  
310-392-8874 fax  
[pam@consumerwatchdog.org](mailto:pam@consumerwatchdog.org)

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**From:** Tomlin.Lincoln <Tomlin.Lincoln@aaa-calif.com>  
**Sent:** Thursday, February 16, 2023 3:03 PM  
**To:** Pam Pressley <pam@consumerwatchdog.org>; Ken Allen <Ken.Allen@insurance.ca.gov>; Gammell, Adam <Adam.Gammell@insurance.ca.gov>; Lisbeth Landsman-Smith <Lisbeth.Landsman@insurance.ca.gov>; Cecilia Padua <Cecilia.Padua@insurance.ca.gov>; Harvey Rosenfield <harvey@consumerwatchdog.org>; Ryan Mellino <Ryan.m@consumerwatchdog.onmicrosoft.com>; Ben Powell <ben@consumerwatchdog.org>; Katz, Jamie <Jamie.Katz@insurance.ca.gov>; Stone, Alec <Alec.Stone@insurance.ca.gov>; Kaitlyn Gentile <kaitlyn@consumerwatchdog.org>; Warren, Tina <Tina.Warren@insurance.ca.gov>  
**Subject:** RE: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466

Ms. Pressley,

The Exchange’s Management Agreement is proprietary and the Exchange will not send a copy of its Management Agreement to the petitioner. The Department has a copy of the Management Agreement and can confirm our representations. The petitioner does not need a copy of the Management Agreement to complete its review. The Management Agreement is

# **EXHIBIT N**

**Subject:** RE: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466  
**Date:** Friday, February 17, 2023 at 11:24:53 AM Pacific Standard Time  
**From:** Tomlin.Lincoln  
**To:** Pam Pressley, Ken Allen, Gammell, Adam, Lisbeth Landsman-Smith, Cecilia Padua, Harvey Rosenfield, Ryan Mellino, Ben Powell, Katz, Jamie, Stone, Alec, Kaitlyn Gentile, Warren, Tina  
**Attachments:** image001.jpg, image002.jpg

Ms. Pressley,

We respectfully disagree. The Exchange's Management Agreement is proprietary and the Exchange will not send a copy of its Management Agreement to the petitioner. The Department has a copy of the Management Agreement and can confirm our representations. The petitioner does not need a copy of the Management Agreement to complete its review.

Thank you,

**Lincoln K. Tomlin (He/Him/His), CPCU**  
Vice President, Public and Government Affairs  
Auto Club Enterprises  
*Office | (714) 885-2315*



---

**From:** Pam Pressley <pam@consumerwatchdog.org>  
**Sent:** Friday, February 17, 2023 11:03 AM  
**To:** Tomlin.Lincoln <Tomlin.Lincoln@aaa-calif.com>; Ken Allen <Ken.Allen@insurance.ca.gov>; Gammell, Adam <Adam.Gammell@insurance.ca.gov>; Lisbeth Landsman-Smith <Lisbeth.Landsman@insurance.ca.gov>; Cecilia Padua <Cecilia.Padua@insurance.ca.gov>; Harvey Rosenfield <harvey@consumerwatchdog.org>; Ryan Mellino <Ryan.m@consumerwatchdog.onmicrosoft.com>; Ben Powell <ben@consumerwatchdog.org>; Katz, Jamie <Jamie.Katz@insurance.ca.gov>; Stone, Alec <Alec.Stone@insurance.ca.gov>; Kaitlyn Gentile <kaitlyn@consumerwatchdog.org>; Warren, Tina <Tina.Warren@insurance.ca.gov>  
**Subject:** Re: In the Matter of the Rate Application of Interinsurance Exchange of the Automobile Club, Applicants - CDI File No. PA-2022-00005, RRB File No. 22-1466

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Mr. Tomlin,

We asked for written confirmation ("such as the management agreement") of your statement regarding the management fees being cost of service, plus a fee of less than 1%. It is the company's burden to prove that their payments to affiliates do not exceed fair market value, not the CDI's or Intervenor's burden. As a party

# **EXHIBIT O**

*AIS RISK CONSULTANTS, INC.*

**Consulting Actuaries • Insurance Advisors**

4400 Route 9 South • Suite 1000 • Freehold, NJ 07728 • (732) 780-0330

Date: February 17, 2023

To: Consumer Watchdog

From: Allan I. Schwartz

Re: Review of Interinsurance Exchange of the Automobile Club  
Private Passenger Automobile Insurance Rate Filing  
SERFF Tracking #: IACA-133266980  
State Tracking #: 22-1466  
Company Tracking #: CA-AUTO-RATE-2022-01

As you requested, in connection with a possible settlement, we have reviewed the above captioned filing, as well as the updates and additional information submitted by Interinsurance Exchange of the Automobile Club (“IIEAC”), along with other information.

Our analysis indicates a maximum rate based an overall rate increase of 0.9%.

The differences between our analysis and those of the Applicant are summarized below:

- Premium and Loss Trends – Our selected values are shown in the enclosed rate templates.
- Development for Bodily Injury Liability – We used average of incurred and paid development.<sup>1</sup>
- Update to Interest Rates, etc. – We used value consistent with CDI update.<sup>2</sup>

With regard to the loss trends, items considered included that inflation rates have generally been decreasing since the end of the experience period (i.e., March 2022) used in the IIEAC filing.

The annualized rate of overall inflation from April 2022 to January 2023 was 4.7%.<sup>3</sup> The annualized rate of inflation during the last six months from July 2022 to January 2023 and the last three months from October 2022 to January 2023 were 2.0% and 1.6% respectively.

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<sup>1</sup> This was done by applying an effective development factor to the paid losses.

<sup>2</sup> Some of the updated values we used differed from that used by CDI by 0.1%. This is not a material difference. ASOP No. 1 states in part “2.6 *Materiality*—“Materiality” is a consideration in many aspects of the actuary’s work. An item or a combination of related items is material if its omission or misstatement could influence a decision of an intended user.” The 0.1% differences do not change the conclusion that the rate increase proposed by would result in excessive rates.



The annualized rate of medical inflation from April 2022 to January 2023 was 2.4%.<sup>4</sup> The annualized rate of inflation during the last six months from July 2022 to January 2023 and the last three months from October 2022 to January 2023 were 0.7% and -1.9% respectively.

The Manheim Used Vehicle Value Index, an “inflation” index that insurance companies have cited in the past when it was increasing, reached a maximum value in December 2021 / January 2022 and has since been decreasing.<sup>5</sup>

The annualized rate of inflation for Motor Vehicle Parts and Equipment from April 2022 to January 2023 was 7.5%.<sup>6</sup> The annualized rate of inflation during the last six months from July 2022 to January 2023 and the last three months from October 2022 to January 2023 were 6.4% and 3.6% respectively.

With regard to the trend for Comprehensive, a significant portion of that is due to the rapid increase in catalytic converter thefts in recent years.<sup>7</sup> Furthermore, California has had the highest number of such thefts.<sup>8</sup> Using that recent data to project even further huge increases in such thefts into the future is not realistic. Furthermore, steps are being taken to address this issue, both by the Department of Justice<sup>9</sup> and the California legislature which passed three bills

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<sup>3</sup> Data from <https://www.bls.gov/cpi/>  
Series ID CUUR0000SA0, All items in U.S. city average, all urban consumers, not seasonally adjusted  
Incorporating seasonal adjustment factors would not make a material difference in the results.  
Seasonal adjustment factors are available at  
<https://www.bls.gov/cpi/seasonal-adjustment/>

<sup>4</sup> Data from <https://www.bls.gov/cpi/>  
Series ID CUUR0000SAM, Medical care in U.S. city average, all urban consumers, not seasonally adjusted

<sup>5</sup> Data available at <https://publish.manheim.com/en/services/consulting/used-vehicle-value-index.html>

<sup>6</sup> Data from <https://www.bls.gov/cpi/>  
Series ID CUUR0000SETC, Motor vehicle parts and equipment in U.S. city average, all urban consumers, not seasonally adjusted

<sup>7</sup> “Catalytic converter theft has spiked across the country in recent years, from 1,298 reported thefts in 2018 to 52,206 in 2021, according to claims data from the National Insurance Crime Bureau.”  
<https://calmatters.org/economy/2022/10/california-is-a-hotspot-for-catalytic-converter-theft-will-new-laws-make-a-difference/>

<sup>8</sup> “Nationally, 37% of catalytic converter theft claims tracked by the bureau in 2021 were in the Golden State — a disproportionate share, even accounting for California’s large population.”  
*Ibid.*

<sup>9</sup> <https://www.justice.gov/opa/pr/justice-department-announces-takedown-nationwide-catalytic-converter-theft-ring>

dealing with this issue.<sup>10</sup> These factors should be taken into account when selecting a loss trend for comprehensive coverage.

With regard to the bodily injury loss development, there is a very large difference between the results from paid and incurred development. The company has not provided an explanation for this difference, or why incurred development is better than paid. Furthermore, the IIEAC has indicated that there have been no changes in claim practices that would make paid development unreliable.<sup>11</sup> Given this situation, we gave equal weight to both indications.

Some additional comments regarding the IIEAC filing follow.

With regard to the variance template submitted by IIEAC, for three coverages (BI, UM, Comp), the proposed % rate change falls outside the range from minimum to maximum. Therefore, IIEAC should have filed an additional variance for that, which the company did not do.

In the variance templates submitted by IIEAC, 0% credibility was assigned to BI, PD, MP, Collision and Rental coverages. That is inconsistent with 10 CCR § 2644.23 for determining credibility. IIEAC did not file for a variance regarding credibility. The only variance IIEAC filed was for 8D dealing with trend. To the extent that IIEAC may argue that credibility was part of the trend variance, it should be noted that “Exhibit 13 - Request for Variance” did not have any reference to credibility.

Finally, to the extent that IIEAC believes its experience for these coverages has 0% credibility, that implies that IIEAC’s trend data for these coverages has 0% credibility. It is generally accepted that the standard for credibility is higher for trend than for experience.<sup>12</sup> Therefore, in order to be consistent, IIEAC’s trend data for these coverages should be given 0% credibility.

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<sup>10</sup> AB 1653, SB 1087 and AB 1740  
<https://calmatters.org/economy/2022/10/california-is-a-hotspot-for-catalytic-converter-theft-will-new-laws-make-a-difference/>

<sup>11</sup> See IIEAC response to COVID-19 Rate Filing Questionnaire.  
See for example the response to Item 4a.  
“We have not observed any changes in development patterns that require changes to our link ratio selections for loss development triangles. The previously mentioned slowdown in closing material damage claims is less evident in annual triangles, as most claims are closed by the end of the first reporting period.”

<sup>12</sup> This conclusion is consistent with CDI’s rate regulations, which requires 6,000 claims for full credibility trend, but only half that amount of 3,000 claims for experience. See 10 CCR § 2644.7(d) and 10 CCR § 2644.23(b).

February 17, 2023  
Consumer Watchdog  
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Please feel free to contact me if there is anything you would care to discuss.

Enclosures

Basis of Trend Selections by Coverage

Bodily Injury : 16-point, Reported Frequency, Total Paid Severity

Property Damage : 15-point, Reported Frequency, Total Paid Severity

Medical Payments : 0% Net Trend

Uninsured Motorists : 16-point, Reported Frequency, Total Paid Severity

Collision : 0% Net Trend

Comprehensive : Injury : 16-Point Reported Frequency, Total Paid Severity

Rental : 16-point, Reported Frequency, Total Paid Severity

Note:

16-point trend covers year ending 2016Q2 to 2019Q4 and 2022Q1

15-point trend covers year ending 2016Q2 to 2019Q4

**PRIOR APPROVAL RATE TEMPLATE FOR PROPERTY & LIABILITY LINES  
SUMMARY**

Coverage/Form/Program	Latest Year Adjusted Annual Premium (\$)	Minimum Permitted Earned Premium (\$)	Maximum Permitted Earned Premium (\$)	Change at Minimum %	Change at Maximum %
Bodily Injury	708,795,737	590,133,596	814,022,583	-16.7%	14.8%
Property Damage	639,546,811	344,664,889	475,426,251	-46.1%	-25.7%
Medical Payments	17,706,039	10,522,064	14,513,997	-40.6%	-18.0%
Uninsured Motorist	190,457,248	288,675,995	398,195,901	51.6%	109.1%
Collision	1,036,257,387	697,602,738	856,332,838	-32.7%	-17.4%
Comprehensive	191,472,508	210,509,502	258,408,102	9.9%	35.0%
Rental	50,100,540	35,514,820	43,595,739	-29.1%	-13.0%
<b>Combined</b>	<b>2,834,336,269</b>	<b>2,177,623,605</b>	<b>2,860,495,410</b>	<b>-23.2%</b>	<b>0.9%</b>

Combined Total Earned Exposures for Latest Year: **2,683,316**

Coverage/Form/Program	Average Earned Premium \$ per Exposure				Latest Year Earned Exposures
	Latest Year Adjusted	Minimum Permitted	Maximum Permitted	Proposed	
Bodily Injury	264.15	219.93	303.36	320.42	2,683,316
Property Damage	238.34	128.45	177.18	201.53	2,683,316
Medical Payments	20.38	12.11	16.70	18.72	868,862
Uninsured Motorist	77.16	116.96	161.33	116.05	2,468,252
Collision	431.10	290.22	356.25	430.88	2,403,740
Comprehensive	94.23	103.60	127.17	120.04	2,032,017
Rental	62.82	44.53	54.67	63.32	797,470
<b>Combined</b>	<b>1,056.28</b>	<b>811.54</b>	<b>1,066.03</b>	<b>1,130.47</b>	<b>2,683,316</b>

Coverage/Form/Program	Latest Year Adjusted Annual Premium (\$)	Latest Year Projected Ultimate Loss & DCCE (\$)	Latest Year Projected Ultimate Loss & DCCE Ratio
Bodily Injury	708,795,737	626,745,042	88.4%
Property Damage	639,546,811	375,206,391	58.7%
Medical Payments	17,706,039	11,379,938	64.3%
Uninsured Motorist	190,457,248	299,976,409	157.5%
Collision	1,036,257,387	626,480,130	60.5%
Comprehensive	191,472,508	184,190,395	96.2%
Rental	50,100,540	31,729,922	63.3%
<b>Combined</b>	<b>2,834,336,269</b>	<b>2,155,708,227</b>	<b>76.1%</b>

VARIANCE - NONE

RATE CHANGE CALCULATION

Completed by: AIS  
Date Completed: 2/17/2023  
Prior Effective Date: 1/1/2022  
Proposed Effective Date: 1/1/2023  
Detailed Line Description: Private Passenger Auto Liability  
Coverage: Bodily Injury

Data Provided by Filer	20201	20211	20221	Projected
Prem_Written			717,824,725	717,824,725
Prem_Earned			717,824,725	717,824,725
Prem_Adj			1.000	
Prem_Trend			0.987	-0.6%
Misc_Fees			0	0
Exposures_Earned			2,683,316	2,683,316
Losses			227,379,242	227,379,242
DCCE			787,722	787,722
Loss_Devt			2.411	
DCCE_Devt			31.715	
Loss_Trend			1.093	4.0%
DCCE_Trend			1.093	4.0%
CAT_Adj			1.000	
Anc_Income			27,064,082	27,064,082
Credibility				100.0%
ExpRatio_Excluded				0.2%
FIT_Inv				18.8%
Yield				7.8%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final			<i>Data as of: 2020</i>	30.9%
LevFact_Final			<i>Data as of: 2020</i>	0.80
PremTaxRate				2.4%
SurplusRatio				1.25
ResRatio_UPR			<i>Data as of: 2020</i>	0.33
ResRatio_Loss			<i>Data as of: 2020</i>	1.23
ROR_RiskFree			<i>Data as of: March 2022</i>	3.8%
ROR_Min				-6.0%
ROR_Max				9.8%

Calculations	20201	20211	20221	
Prem_Adjusted			708,795,737	708,795,737
Losses_Adjusted			599,428,430	599,428,430
DCCE_Adjusted			27,316,613	27,316,613
LossDCCERatio_Adjusted			88.4%	88.4%
TCRLP_perExp			264.15	264.15
LossDCCE_perExp			233.57	233.57
CompLossDCCE_perExp			213.79	213.79
CredLoss_perExp			233.57	233.57
Anc_Inc_perExp			10.09	10.09
InvInc_Fixed				9.8%
InvInc_Variable				12.6%
Net_AnnualTrend				4.6%
Comp_Trend				4.6%
Max_Profit				15.6%
Min_Profit				-9.5%
UW_Profit				-7.9%
Min_Denom				0.91
Max_Denom				0.66
Min_Premium				\$219.93
Max_Premium				\$303.36
CHANGE_AT_MIN				-16.7%
CHANGE_AT_MAX				14.8%

State of California  
Department of Insurance (CDI)

Company: Interinsurance Exchange of the Automobile Club  
Line: Auto Liability and Physical Damage  
CDI File # (Department Use Only):

**VARIANCE - NONE**

**RATE CHANGE CALCULATION**

Completed by: AIS  
Date Completed: 2/17/2023  
Prior Effective Date: 1/1/2022  
Proposed Effective Date: 1/1/2023  
Detailed Line Description: Private Passenger Auto Liability  
Coverage: Property Damage

Data Provided by Filer	20201	20211	20221	Projected
Prem_Written			638,382,770	638,382,770
Prem_Earned			638,382,770	638,382,770
Prem_Adj			1.000	
Prem_Trend			1.002	0.1%
Misc_Fees			0	0
Exposures_Earned			2,683,316	2,683,316
Losses			291,779,402	291,779,402
DCCE			409,236	409,236
Loss_Devt			1.203	
DCCE_Devt			2.160	
Loss_Trend			1.066	2.9%
DCCE_Trend			1.066	2.9%
CAT_Adj			1.000	
Anc_Income			24,068,889	24,068,889
Credibility				100.0%
ExpRatio_Excluded				0.2%
FIT_Inv				18.8%
Yield				7.8%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final			<i>Data as of: 2020</i>	30.9%
LevFact_Final			<i>Data as of: 2020</i>	0.80
PremTaxRate				2.4%
SurplusRatio				1.25
ResRatio_UPR			<i>Data as of: 2020</i>	0.33
ResRatio_Loss			<i>Data as of: 2020</i>	1.23
ROR_RiskFree			<i>Data as of: March 2022</i>	3.8%
ROR_Min				-6.0%
ROR_Max				9.8%

Calculations	20201	20211	20221	
Prem_Adjusted			639,546,811	639,546,811
Losses_Adjusted			374,263,666	374,263,666
DCCE_Adjusted			942,725	942,725
LossDCCERatio_Adjusted			58.7%	58.7%
TCRLP_perExp			238.34	238.34
LossDCCE_perExp			139.83	139.83
CompLossDCCE_perExp			189.58	189.58
CredLoss_perExp			139.83	139.83
Anc_Inc_perExp			8.97	8.97
InvInc_Fixed				9.8%
InvInc_Variable				12.6%
Net_AnnualTrend				2.8%
Comp_Trend				2.8%
Max_Profit				15.6%
Min_Profit				-9.5%
UW_Profit				-9.8%
Min_Denom				0.91
Max_Denom				0.66
Min_Premium				\$128.45
Max_Premium				\$177.18
CHANGE_AT_MIN				-46.1%
CHANGE_AT_MAX				-25.7%

VARIANCE - NONE

RATE CHANGE CALCULATION

Completed by: AIS  
Date Completed: 2/17/2023  
Prior Effective Date: 1/1/2022  
Proposed Effective Date: 1/1/2023  
Detailed Line Description: Private Passenger Auto Liability  
Coverage: Medical Payments

Data Provided by Filer	20201	20211	20221	Projected
Prem_Written			17,706,039	17,706,039
Prem_Earned			17,706,039	17,706,039
Prem_Adj			1.000	
Prem_Trend			1.000	0.0%
Misc_Fees			0	0
Exposures_Earned			868,862	868,862
Losses			9,007,023	9,007,023
DCCE			1,273	1,273
Loss_Devt			1.261	
DCCE_Devt			16.082	
Loss_Trend			1.000	0.0%
DCCE_Trend			1.000	0.0%
CAT_Adj			1.000	
Anc_Income			667,569	667,569
Credibility				100.0%
ExpRatio_Excluded				0.2%
FIT_Inv				18.8%
Yield				7.8%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final		Data as of:	2020	30.9%
LevFact_Final		Data as of:	2020	0.80
PremTaxRate				2.4%
SurplusRatio				1.25
ResRatio_UPR		Data as of:	2020	0.33
ResRatio_Loss		Data as of:	2020	1.23
ROR_RiskFree		Data as of:	March 2022	3.8%
ROR_Min				-6.0%
ROR_Max				9.8%

Calculations	20201	20211	20221	
Prem_Adjusted			17,706,039	17,706,039
Losses_Adjusted			11,359,460	11,359,460
DCCE_Adjusted			20,478	20,478
LossDCCERatio_Adjusted			64.3%	64.3%
TCRLP_perExp			20.38	20.38
LossDCCE_perExp			13.10	13.10
CompLossDCCE_perExp			15.79	15.79
CredLoss_perExp			13.10	13.10
Anc_Inc_perExp			0.77	0.77
InvInc_Fixed				9.8%
InvInc_Variable				12.6%
Net_AnnualTrend				0.0%
Comp_Trend				0.0%
Max_Profit				15.6%
Min_Profit				-9.5%
UW_Profit				-9.3%
Min_Denom				0.91
Max_Denom				0.66
Min_Premium				\$12.11
Max_Premium				\$16.70
CHANGE_AT_MIN				-40.6%
CHANGE_AT_MAX				-18.0%



VARIANCE - NONE

RATE CHANGE CALCULATION

Completed by: AIS  
Date Completed: 2/17/2023  
Prior Effective Date: 1/1/2022  
Proposed Effective Date: 1/1/2023  
Detailed Line Description: Private Passenger Auto Liability  
Coverage: Uninsured Motorist

Data Provided by Filer	20201	20211	20221	Projected
Prem_Written			193,010,012	193,010,012
Prem_Earned			193,010,012	193,010,012
Prem_Adj			1.000	
Prem_Trend			0.987	-0.6%
Misc_Fees			0	0
Exposures_Earned			2,468,252	2,468,252
Losses			79,438,122	79,438,122
DCCE			105,702	105,702
Loss_Devt			2.967	
DCCE_Devt			48.466	
Loss_Trend			1.245	10.2%
DCCE_Trend			1.245	10.2%
CAT_Adj			1.000	
Anc_Income			7,277,039	7,277,039
Credibility				100.0%
ExpRatio_Excluded				0.2%
FIT_Inv				18.8%
Yield				7.8%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final			<i>Data as of: 2020</i>	30.9%
LevFact_Final			<i>Data as of: 2020</i>	0.80
PremTaxRate				2.4%
SurplusRatio				1.25
ResRatio_UPR			<i>Data as of: 2020</i>	0.33
ResRatio_Loss			<i>Data as of: 2020</i>	1.23
ROR_RiskFree			<i>Data as of: March 2022</i>	3.8%
ROR_Min				-6.0%
ROR_Max				9.8%

Calculations	20201	20211	20221	
Prem_Adjusted			190,457,248	190,457,248
Losses_Adjusted			293,595,757	293,595,757
DCCE_Adjusted			6,380,652	6,380,652
LossDCCERatio_Adjusted			157.5%	157.5%
TCRLP_perExp			77.16	77.16
LossDCCE_perExp			121.53	121.53
CompLossDCCE_perExp			66.00	66.00
CredLoss_perExp			121.53	121.53
Anc_Inc_perExp			2.95	2.95
InvInc_Fixed				9.8%
InvInc_Variable				12.6%
Net_AnnualTrend				10.9%
Comp_Trend				10.9%
Max_Profit				15.6%
Min_Profit				-9.5%
UW_Profit				-6.3%
Min_Denom				0.91
Max_Denom				0.66
Min_Premium				\$116.96
Max_Premium				\$161.33
CHANGE_AT_MIN				51.6%
CHANGE_AT_MAX				109.1%

VARIANCE - NONE

RATE CHANGE CALCULATION

Completed by: AIS  
Date Completed: 2/17/2023  
Prior Effective Date: 1/1/2022  
Proposed Effective Date: 1/1/2023  
Detailed Line Description: Private Passenger Auto Physical Damage  
Coverage: Collision

Data Provided by Filer	20201	20211	20221	Projected
Prem_Written			984,153,867	984,153,867
Prem_Earned			1,036,257,387	1,036,257,387
Prem_Adj			1.000	
Prem_Trend			1.000	0.0%
Misc_Fees			0	0
Exposures_Earned			2,403,740	2,403,740
Losses			730,982,595	730,982,595
DCCE			915,742	915,742
Loss_Devt			0.855	
DCCE_Devt			1.900	
Loss_Trend			1.000	0.0%
DCCE_Trend			1.000	0.0%
CAT_Adj			1.000	
Anc_Income			39,069,920	39,069,920
Credibility				100.0%
ExpRatio_Excluded				0.2%
FIT_Inv				18.8%
Yield				7.8%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final		<i>Data as of:</i>	2020	31.1%
LevFact_Final		<i>Data as of:</i>	2020	1.29
PremTaxRate				2.4%
SurplusRatio				0.78
ResRatio_UPR		<i>Data as of:</i>	2020	0.34
ResRatio_Loss		<i>Data as of:</i>	2020	0.07
ROR_RiskFree		<i>Data as of:</i>	March 2022	3.8%
ROR_Min				-6.0%
ROR_Max				9.8%

Calculations	20201	20211	20221	
Prem_Adjusted			1,036,257,387	1,036,257,387
Losses_Adjusted			624,740,207	624,740,207
DCCE_Adjusted			1,739,923	1,739,923
LossDCCERatio_Adjusted			60.5%	60.5%
TCRLP_perExp			431.10	431.10
LossDCCE_perExp			260.63	260.63
CompLossDCCE_perExp			311.95	311.95
CredLoss_perExp			260.63	260.63
Anc_Inc_perExp			16.25	16.25
InvInc_Fixed				0.6%
InvInc_Variable				8.8%
Net_AnnualTrend				0.0%
Comp_Trend				0.0%
Max_Profit				9.6%
Min_Profit				-5.9%
UW_Profit				-4.2%
Min_Denom				0.84
Max_Denom				0.68
Min_Premium				\$290.22
Max_Premium				\$356.25
CHANGE_AT_MIN				-32.7%
CHANGE_AT_MAX				-17.4%

**VARIANCE - NONE**

**RATE CHANGE CALCULATION**

Completed by: AIS  
Date Completed: 2/17/2023  
Prior Effective Date: 1/1/2022  
Proposed Effective Date: 1/1/2023  
Detailed Line Description: Private Passenger Auto Physical Damage  
Coverage: Comprehensive

Data Provided by Filer	20201	20211	20221	Projected
Prem_Written			184,627,963	184,627,963
Prem_Earned			184,627,963	184,627,963
Prem_Adj			1.000	
Prem_Trend			1.037	1.6%
Misc_Fees			0	0
Exposures_Earned			2,032,017	2,032,017
Losses			155,004,888	155,004,888
DCCE			433,906	433,906
Loss_Devt			1.029	
DCCE_Devt			1.944	
Loss_Trend			1.149	6.4%
DCCE_Trend			1.149	6.4%
CAT_Adj			1.000	
Anc_Income			6,961,012	6,961,012
Credibility				100.0%
ExpRatio_Excluded				0.2%
FIT_Inv				18.8%
Yield				7.8%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final			<i>Data as of: 2020</i>	31.1%
LevFact_Final			<i>Data as of: 2020</i>	1.29
PremTaxRate				2.4%
SurplusRatio				0.78
ResRatio_UPR			<i>Data as of: 2020</i>	0.34
ResRatio_Loss			<i>Data as of: 2020</i>	0.07
ROR_RiskFree			<i>Data as of: March 2022</i>	3.8%
ROR_Min				-6.0%
ROR_Max				9.8%

Calculations	20201	20211	20221	
Prem_Adjusted			191,472,508	191,472,508
Losses_Adjusted			183,221,356	183,221,356
DCCE_Adjusted			969,039	969,039
LossDCCERatio_Adjusted			96.2%	96.2%
TCRLP_perExp			94.23	94.23
LossDCCE_perExp			90.64	90.64
CompLossDCCE_perExp			71.07	71.07
CredLoss_perExp			90.64	90.64
Anc_Inc_perExp			3.43	3.43
InvInc_Fixed				0.6%
InvInc_Variable				8.8%
Net_AnnualTrend				4.7%
Comp_Trend				4.7%
Max_Profit				9.6%
Min_Profit				-5.9%
UW_Profit				-2.3%
Min_Denom				0.84
Max_Denom				0.68
Min_Premium				\$103.60
Max_Premium				\$127.17
CHANGE_AT_MIN				9.9%
CHANGE_AT_MAX				35.0%

**VARIANCE - NONE**

**RATE CHANGE CALCULATION**

Completed by: AIS  
Date Completed: 2/17/2023  
Prior Effective Date: 1/1/2022  
Proposed Effective Date: 1/1/2023  
Detailed Line Description: Private Passenger Auto Physical Damage  
Coverage: Rental

Data Provided by Filer	20201	20211	20221	Projected
Prem_Written			48,429,603	48,429,603
Prem_Earned			48,429,603	48,429,603
Prem_Adj			1.000	
Prem_Trend			1.035	1.5%
Misc_Fees			0	0
Exposures_Earned			797,470	797,470
Losses			29,951,559	29,951,559
DCCE			5,453	5,453
Loss_Devt			0.955	
DCCE_Devt			1.828	
Loss_Trend			1.109	4.7%
DCCE_Trend			1.109	4.7%
CAT_Adj			1.000	
Anc_Income			1,825,937	1,825,937
Credibility				100.0%
ExpRatio_Excluded				0.2%
FIT_Inv				18.8%
Yield				7.8%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final			<i>Data as of: 2020</i>	31.1%
LevFact_Final			<i>Data as of: 2020</i>	1.29
PremTaxRate				2.4%
SurplusRatio				0.78
ResRatio_UPR			<i>Data as of: 2020</i>	0.34
ResRatio_Loss			<i>Data as of: 2020</i>	0.07
ROR_RiskFree			<i>Data as of: March 2022</i>	3.8%
ROR_Min				-6.0%
ROR_Max				9.8%

Calculations	20201	20211	20221	
Prem_Adjusted			50,100,540	50,100,540
Losses_Adjusted			31,718,873	31,718,873
DCCE_Adjusted			11,048	11,048
LossDCCERatio_Adjusted			63.3%	63.3%
TCRLP_perExp			62.82	62.82
LossDCCE_perExp			39.79	39.79
CompLossDCCE_perExp			46.73	46.73
CredLoss_perExp			39.79	39.79
Anc_Inc_perExp			2.29	2.29
InvInc_Fixed				0.6%
InvInc_Variable				8.8%
Net_AnnualTrend				3.1%
Comp_Trend				3.1%
Max_Profit				9.6%
Min_Profit				-5.9%
UW_Profit				-3.8%
Min_Denom				0.84
Max_Denom				0.68
Min_Premium				\$44.53
Max_Premium				\$54.67
CHANGE_AT_MIN				-29.1%
CHANGE_AT_MAX				-13.0%

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**PROOF OF SERVICE**  
**BY OVERNIGHT OR U.S. MAIL, FAX TRANSMISSION,**  
**EMAIL TRANSMISSION AND/OR PERSONAL SERVICE**

State of California, City of Los Angeles, County of Los Angeles

I am employed in the City and County of Los Angeles, State of California. I am over the age of 18 years and not a party to the within action. My business address is 6330 South San Vicente Boulevard, Suite 250, Los Angeles, California 90048, and I am employed in the city and county where this service is occurring.

On March 20, 2023, I caused service of true and correct copies of the document entitled

**CONSUMER WATCHDOG'S REQUEST FOR COMPENSATION**

upon the persons named in the attached service list, in the following manner:

1. If marked FAX SERVICE, by facsimile transmission this date to the FAX number stated to the person(s) named.
2. If marked EMAIL, by electronic mail transmission this date to the email address stated.
3. If marked U.S. MAIL or OVERNIGHT or HAND DELIVERED, by placing this date for collection for regular or overnight mailing true copies of the within document in sealed envelopes, addressed to each of the persons so listed. I am readily familiar with the regular practice of collection and processing of correspondence for mailing of U.S. Mail and for sending of Overnight mail. If mailed by U.S. Mail, these envelopes would be deposited this day in the ordinary course of business with the U.S. Postal Service. If mailed Overnight, these envelopes would be deposited this day in a box or other facility regularly maintained by the express service carrier, or delivered this day to an authorized courier or driver authorized by the express service carrier to receive documents, in the ordinary course of business, fully prepaid.

I declare under penalty of perjury that the foregoing is true and correct. Executed on March 20, 2023 at Los Angeles, California.

  
Kaitlyn Gentile

## Service List

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Alec Stone  
Lisbeth Landsman-Smith  
Rate Enforcement Bureau  
**California Department of Insurance**  
1901 Harrison Street, 4th Floor  
Oakland, CA 94612  
Tel. (415) 538-4111  
Fax (510) 238-7830  
Alec.Stone@insurance.ca.gov  
Lisbeth.Landsman@insurance.ca.gov

- FAX
- U.S. MAIL
- OVERNIGHT MAIL
- HAND DELIVERED
- EMAIL

Jamie Katz  
Public Advisor  
Rate Enforcement Bureau  
**California Department of Insurance**  
1901 Harrison Street  
Oakland, CA 94612  
Tel. (415) 538-4180  
Fax (510) 238-7830  
Jamie.Katz@insurance.ca.gov

- FAX
- U.S. MAIL
- OVERNIGHT MAIL
- HAND DELIVERED
- EMAIL

Lincoln Tomlin  
Vice President, Public and Government Affairs  
**Interinsurance Exchange of the Automobile Club**  
3333 Fairview Road, A131  
Costa Mesa, CA 92626  
Tel. (714) 885-2315  
Tomlin.Lincoln@aaa-calif.com

- FAX
- U.S. MAIL
- OVERNIGHT MAIL
- HAND DELIVERED
- EMAIL