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BEFORE THE INSURANCE COMMISSIONER

OF THE STATE OF CALIFORNIA

In the Matter of the Rate Application of CSAA Insurance Exchange, Applicant.	File No.: PA-2023-00004 **CONSUMER WATCHDOG'S REQUEST FOR COMPENSATION**

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I. INTRODUCTION

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

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

Invoking the right the voters accorded themselves under Insurance Code section 1861.10(a) to enforce the provisions of Proposition 103, Consumer Watchdog initiated the proceeding when it filed a Petition for Hearing, Petition to Intervene, and Notice of Intent to Seek Compensation ("Petition") on April 10, 2023, challenging the rate application of CSAA Insurance Exchange ("Applicant" or "CSAA") seeking approval of an overall 25% rate increase to its auto line of insurance (File No. 23-385 ["the Application"]). (Consumer Watchdog, the Department of Insurance, and Applicant will be collectively referred to as the "Parties.")

Consumer Watchdog represented the interests of consumers and policyholders by presenting issues, evidence, and arguments in its Petition and subsequent requests for information, analysis, correspondence, and communications with the Parties that were separate and distinct from those raised by the Department of Insurance (the "Department"). Ultimately, the Parties were able to enter into a Stipulation resulting in an overall rate change of 16.7% and an annual premium savings of $192.4 million[1] as compared to the 25% rate increase originally sought by CSAA. As a result, Consumer Watchdog substantially contributed to the Commissioner's decision to approve the Application pursuant to the Stipulation.

[1] See footnote 7, *infra*.

This Request seeks compensation in the total amount of $77,693.50[2] for Consumer Watchdog's substantial contribution to the Commissioner's approval of the Application. This Request includes time spent working on this matter, including preparing this Request, through August 16, 2023. This Request is based on the facts and circumstances of this matter as summarized in Section III below and in supporting exhibits, the record in this matter, and the accompanying Declarations of Daniel L. Sternberg ("Sternberg Decl.") and Allan I. Schwartz ("Schwartz Decl."). In light of the substantial contribution Consumer Watchdog made to the Commissioner's decision in this proceeding, as discussed further below, the compensation sought for its attorneys, paralegal, and actuarial expert fees is abundantly reasonable.

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

The intervenor regulations provide, in part:

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

(10 CCR § 2662.3(a).) Consumer Watchdog is a longtime participant and intervenor in Department proceedings and a nationally recognized consumer advocacy organization. The Commissioner issued Consumer Watchdog's latest Finding of Eligibility on July 26, 2022, effective for two years as of July 12, 2022, in which he found Consumer Watchdog eligible for compensation "for its representation of consumers' interests[.]"[3]

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[2] Consumer Watchdog seeks advocacy fees and expenses in the amount of $36,384.00 for the work of Consumer Watchdog's counsel and seeks $41,309.50 in fees billed by its consulting actuary and expert witness, Allan I. Schwartz. (See Exh. A (attached) for a summary of the fees and expenses requested.)

[3] 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.

The Commissioner granted Consumer Watchdog's Petition to Intervene in the proceeding on the Application on or about April 24, 2023. (Ruling Granting Consumer Watchdog's Petition to Intervene, Apr. 24, 2023, p. 4; Sternberg Decl., Exh. 5.) Thus, Consumer Watchdog is eligible to seek compensation in this matter.

Pursuant to 10 CCR § 2662.3(a), a request for compensation is due 30 days after service of the Commissioner's decision in the proceeding in which intervention was sought or 30 days after conclusion of the entire proceeding. The Parties stipulated that Consumer Watchdog's request for compensation would be due 30 days from notice of the Commissioner's approval of the Application. Consumer Watchdog was notified that the Commissioner issued his approval of the Application in the System for Electronic Rates and Form Filing ("SERFF") on July 20, 2023. Accordingly, Consumer Watchdog's Request is timely pursuant to 10 CCR § 2662.3(a) and the Parties' Stipulation.

III. SUMMARY OF THE PROCEEDING

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

A. Consumer Watchdog Petitioned for Hearing, Identifying Several Issues with the Application

On or about February 1, 2023, Applicant filed the Application with the California Department of Insurance ("CDI"), seeking approval of an overall 25% rate increase to its auto line of insurance (File No. 23-385). (Sternberg Decl., ¶ 29.) The Department notified the public of the Application on or about February 24, 2023. (*Ibid.*)

Consumer Watchdog and its actuarial expert, Allan I. Schwartz, reviewed the Application in detail and determined that the proposed rate changes were potentially excessive and/or unfairly discriminatory in violation of Insurance Code section 1861.05, subdivision (a), and the prior approval rate regulations, 10 CCR § 2644.1, et seq. (Sternberg Decl., ¶ 30.) Mr. Schwartz's analysis of the Application identified several specific issues that contributed to Applicant's proposed rates being excessive. (*Ibid.*)

On April 10, 2023, pursuant to Insurance Code section 1861.10(a), Consumer Watchdog filed its Petition including the issues on which it would provide evidence to show why Applicant's proposed rates were excessive and/or unfairly discriminatory. (Petition, Apr. 10, 2023, pp. 4–5; Sternberg Decl., ¶ 31, Exh. 3.)

Specifically, Consumer Watchdog's Petition alleged that the selected annual net trends for various coverages including the BI, PD, MED, Comp, Coll, and maintenance coverages were among the highest of the possible twenty values based upon the applicable regulation. The excessive net trends overstated the projected loss ratios resulting in an inflated rate indication. Also, Applicant did not demonstrate that the selected trend factors and trend data period used were the most actuarially sound. (Petition, ¶ 8a; Sternberg Decl., ¶ 32.)

The Petition also alleged that Applicant used incurred loss development in the rate templates. Incurred development results in higher projected losses than paid development. For example, for the BI coverage incurred development was materially higher than paid development. The developed incurred losses were 20% higher than the developed paid losses for the most recent year for BI. Applicant failed to explain why there was such a large difference between the paid and incurred development. Nor did they demonstrate that the much higher incurred development method was the most actuarially sound. (Petition, ¶ 8b; Sternberg Decl., ¶ 33.)

The Petition further alleged that Applicant had not shown that the $0 institutional advertising expenses listed on page 4.1 of the rate application were appropriate. In addition, during 2021 the Applicant paid about $731 million in "Management Agreements and Service Contracts" to affiliates. Applicant had not shown that the payment represented a fair market rate or value. There may also have been excluded expenses for other categories that should have been reflected in the rate calculation but were not adequately reflected in the filing. (Petition, ¶ 8c; Sternberg Decl., ¶ 34.)

Finally, the Petition alleged that Applicant failed to adequately support its variance for loss development, or that it was the most actuarially sound method. (Petition, ¶ 8d; Sternberg Decl., ¶ 35.)

On April 14, 2023, CSAA filed its Answer to the Petition, denying the allegations made by Consumer Watchdog and its actuary. (Answer of CSAA Insurance Exchange to Consumer Watchdog's Petition for Hearing, Petition to Intervene, and Notice of Intent to Seek Compensation, Apr. 14, 2023; Sternberg Decl., ¶ 36, Exh. 4.)

The Commissioner granted Consumer Watchdog's Petition to Intervene in the proceeding on the Application on April 24, 2023, finding that Consumer Watchdog "has raised and seeks to address issues that are relevant to the ratemaking process." (Ruling Granting Consumer Watchdog's Petition to Intervene, Apr. 24, 2023, at p. 4; Sternberg Decl., ¶ 37, Exh. 5.)

B. Consumer Watchdog Requested Additional Information from CSAA and Participated in Three-Way Discussions with the Parties Regarding the Issues Identified in the Petition and Additional Submissions

On May 2, 2023, Consumer Watchdog submitted 24 Requests for Information to Applicant. (Exh. B hereto; Sternberg Decl., ¶ 38.) Specifically, Consumer Watchdog requested a detailed explanation on what was driving the indicated rate need; the rationale for the proposed rate changes as those related to the Applicant's calculated indicated need; a discussion of the general type of risk profiles that would receive the larger and smaller premium changes as a result of the filing; other actions being taken by the company to address overall profitability and growth plans; explanation for any material increase/decrease in the in-force policy count/exposures over the past several years; the company's overall company strategy with writing business in California; the 2019 to 2022 Annual Statements; the 2019 to 2022 Consolidated Annual Statements; any agreements and payments between CSAA and affiliated companies from 2019 to 2022; a complete detailed description of the method used by CSAA to separate advertising expenses into institutional and non-institutional expenses; data, documents, correspondence, analyses, and exhibits that CSAA provided in response to CDI requests related to COVID; data, analyses, or exhibits CSAA had dealing with losses by cause of loss regarding comprehensive coverage; information regarding the effect of catalytic converter thefts on rates for comprehensive coverage; information on how the Application took into account AB 1740 and SB 1087 in deriving the rate change; an explanation for the reasons for the decrease in miscellaneous fees and other charges; an explanation comparing the loss development procedures used in the filing to the procedures used in the actuarial reserve report for 12/31/2022; an explanation comparing the procedures used in the variance request to CSAA's loss development factors to the procedures used in the actuarial reserve report for 12/31/2022; data for 2020 to 2022 showing by coverage the percentage of claims and percentage of dollars that reopen; a comparison of the selected trends set forth in Exhibit 8 of the Application compared to those consistent with the actuarial reserve report for 12/31/2022; an explanation of the procedures used to determine the amount of Catastrophe Net Paid Loss & DCCE and Catastrophe Case Reserves; an explanation of the reasons for the increase in Ancillary Income amounts other time, including the amount of Income by category by year; an explanation of how the CDI's objections to the difference between incurred and paid development and the closing rate of claims were examined and handled in the actuarial reserve report for 12/31/2022; an explanation for how large profits from 2021 are consistent with the large rate increase being requested; and an update of the rate application pages 6 and 7 covering 2022. (*Ibid.*)

On May 3, 2023, CSAA submitted a letter providing detailed narrative responses to each of the allegations in the Petition. It also submitted additional analysis and data concerning Trend Selection for Bodily Injury, Property Damage, Comprehensive, and Collision, providing a detailed explanation for how CSAA derived the selected trends for the four largest coverages. (Exh. C hereto; Sternberg Decl., ¶ 39.)[4]

On May 4, 2023, CSAA provided narrative responses to Consumer Watchdog's May 2 Requests for Information as well as additional documents, analysis, and supporting data, as requested by Consumer Watchdog. (Exh. D hereto; Sternberg Decl., ¶ 40.)[5]

On May 16, 2023, Consumer Watchdog submitted a second set of six additional Requests for Information to CSAA, including an appropriate date for the effective date that all the parties could use to determine the trend period; an explanation of the term "reverse catastrophe" that CSAA used in response to Consumer Watchdog's Request #23; an explanation for CSAA's

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[4] This production was comprised of over 500 pages of documents and has not been included in its entirety as an exhibit due to its size, but it is available upon request.

[5] Similarly, this production was comprised of over 2,000 pages of documents and has not been included in its entirety as an exhibit due to its size, but it is available upon request.

statement “Respondent leveraged these rare occurrences to inform the ratemaking process” in response to Request #23; an explanation for the difference in expense values between the files provided in response to Request #24 and the Application; the paid values corresponding to the incurred values for the 2023Q1 Financial Statement; and text and exhibits from the actuarial report for 12/31/2022 that deal in any manner with trends for California private passenger automobile insurance. (Exh. E hereto; Sternberg Decl., ¶ 41.)

On May 17, CSAA provided a letter to the Parties with narrative responses as well as additional responsive documents and data to Consumer Watchdog’s May 16 set of Requests. (Exh. F hereto; Sternberg Decl., ¶ 42.)[6]

On May 23, 2023, Consumer Watchdog participated in a three-way call with the Parties. (Sternberg Decl., ¶ 43.) The Parties discussed the issues raised in the Petition and Requests for Information in an attempt to narrow the issues and move toward a potential stipulated settlement. In addition, Applicant shared its position and supporting analysis that a rate increase of 38% (with a variance) and 43% (without a variance) was actually justified, despite only seeking a 25% rate increase in its Application. The Parties also discussed the following issues raised by Consumer Watchdog’s Petition and Requests for Information: whether Applicant would produce portions of its 12/31/22 reserve report dealing with auto insurance and if there were any agreements and payments between CSAA and affiliated companies from 2019 to 2022. In response to a request by Consumer Watchdog during this call, CSAA subsequently provided the relevant PPA section of its Actuarial Report through Q12023. (*Ibid.*)

Based on the information in the Application and CSAA’s further responses to its requests, Consumer Watchdog prepared and circulated its preliminary rate indications by coverage supporting an overall smaller rate increase of 12.7%. (Exh. G hereto; Sternberg Decl., ¶ 44.)

On June 23, 2023, Consumer Watchdog participated in a second three-way call with the Parties to discuss the issues raised by Consumer Watchdog’s Petition and Requests for

[6] This production was comprised of over 90 pages of documents and has not been included in its entirety as an exhibit due to its size, but it is available upon request.

Information and the Parties' rate indications. (Sternberg Decl., ¶ 45.) In particular, the Parties discussed, among other topics, the impact of the COVID pandemic on loss trends and whether the present loss trends were transitory or persistent in nature; the amount of rate need Applicant believed it required to avoid refiling within a short period of time; Applicant's and Consumer Watchdog's willingness to compromise on their selections for Severity and Frequency, respectively; and the increase in new business Applicant was writing for auto insurance, and its experience that other insurers' practices was driving this growth. (*Ibid.*)

In response to a request by Consumer Watchdog during this call, CSAA subsequently provided additional analysis and data concerning its growth in new business and the projected impact on CSAA's annual loss experience and ratio. (Exh. H hereto; Sternberg Decl., ¶ 46.)

C. The Parties Entered into a Stipulation Resolving All Issues Between the Parties Regarding the Application

After further settlement communications via email correspondence and telephonic discussions over the next few weeks, on July 17, 2023, the Parties ultimately prepared and executed a settlement stipulation, agreeing to an overall rate increase of 16.7% to be implemented for policies effective September 1, 2023. (Settlement Stipulation, July 17, 2023, Sternberg Decl., ¶ 47; Exh. 6.) The Parties agreed to updated coverage distributions to reflect the overall 16.7% rate change, as set forth on Page 4 of the amended Application. The Parties further agreed that, in the event that Applicant submits a new rate increase application for its Private Passenger Auto – CA Select line prior to April 1, 2024, Applicant agrees that the effective date for such application will be no earlier than April 1, 2024. (*Ibid.*)

On July 20, 2023, the Commissioner approved the Application as amended via SERFF to reflect the overall rate increase of 16.7% pursuant to the Parties' Stipulation, along with the other agreed upon changes by coverage. (Sternberg Decl., ¶ 48.)

On July 28, 2023, pursuant to the terms of the Stipulation, Consumer Watchdog withdrew its Petition. (Consumer Watchdog's Notice of Withdrawal of Petition for Hearing, Petition to Intervene, and Notice of Intent to Seek Compensation, July 28, 2023; Sternberg Decl., ¶ 49, Exh. 7.)

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

A. Consumer Watchdog Made a Substantial Contribution to the Commissioner's Final Decision

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

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

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

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

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

Regulations promulgated by the Commissioner provide guidance for the determination of whether consumer representatives made a "substantial contribution" in departmental proceedings. The regulations provide as follows:

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

(10 CCR § 2661.1(k), emphasis added.)

The detailed summary of this proceeding presented in section III above, the accompanying Sternberg and Schwartz Declarations, and the record in this proceeding make clear that Consumer Watchdog has met the substantial contribution requirement. CWD's counsel are veterans of over a hundred administrative proceedings concerning Proposition 103 since the law's passage. They have also litigated challenges to Proposition 103 in the civil courts and participated in all of the cases that led to landmark judicial decisions. Consumer Watchdog's counsel and consulting actuary were able to provide an effective professional balance to CSAA's highly qualified team of in-house counsel and actuaries. (See Sternberg Decl., ¶¶ 9–21, 27–28.)

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

- Consumer Watchdog's Petition initiated the proceeding and first raised issues with the Application, including (1) CSAA had not demonstrated that the selected trend factors and trend data period used were the most actuarially sound; (2) CSAA had not demonstrated that the loss development methods used were the most actuarially sound; (3) CSAA had not shown that all expenses which should be excluded were adequately reflected in the filing; and (4) CSAA failed to adequately support its variance for loss development, or that it was the most actuarially sound method.
- Consumer Watchdog submitted two sets of Requests for Information to CSAA, requesting further data and documentation of the issues raised by its Petition and issues subsequently identified as discussed *supra*, Section IIIB, including, inter alia, issues regarding indicated rate need, the rationale for proposed rate changes, and requests for substantiation of a number of statements contained in the Application.
- CSAA provided multiple sets of responses to Consumer Watchdog's Requests for Information, including additional documentation, explanations, and data. (See *supra*, Section IIIB.)
- Consumer Watchdog's actuary prepared rate indications by coverage concluding a smaller overall rate increase was justified.
- Consumer Watchdog attorneys and its actuary participated in two three-way teleconferences with the Department and CSAA, as well as additional teleconferences with the parties individually, to discuss the issues raised by its Petition and CSAA's responses to Consumer Watchdog's Requests for Information.
- Consumer Watchdog's contributions to the negotiations resulted in the execution of a Stipulation among the Parties agreeing to a 16.7% rate increase, resulting in a savings

of $192.4 million[7] annually compared to the rates originally sought by CSAA. (See *supra*, Section IIIC.)

In sum, Consumer Watchdog's separate and distinct presentation of relevant issues, evidence, and arguments provided in its Petition, requests for information, and communications with the Parties, as well as the additional information it elicited from Applicant in response to the distinct issues raised by Consumer Watchdog in its Petition and in verbal and written exchange with the Parties, resulted in more relevant, credible, and non-frivolous information being available to the Commissioner in making his final decision approving the Application than if Consumer Watchdog had not participated. Thus, Consumer Watchdog clearly meets the "substantial contribution" requirement of the Insurance Code and the regulations.

B. Consumer Watchdog's Requested Advocacy Fees Are Reasonable

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

For its substantial contribution, Consumer Watchdog requests reasonable advocacy fees in the amount of $36,384.00 for the work of its counsel and paralegal. The requested fees, including the total hours of work performed and the hourly rates of each Consumer Watchdog attorney, are

[7] $2.318 billion (premium) X (25.0% - 16.7%)

summarized in the attached Exhibit A, "Summary of Fees." Insurance Code section 1861.10, subdivision (b), requires an award of all "reasonable advocacy and witness fees" once the requirements of the statute are met, including making a substantial contribution. The procedural history of this matter set forth above and supported by the Sternberg Declaration demonstrates the reasonableness of the compensation requested in light of the amount of work performed. The procedural history and Consumer Watchdog's time records (Sternberg Decl., Exh. 1a) also demonstrate the work Consumer Watchdog performed in this proceeding.

As required by the regulations, the specific tasks performed by Consumer Watchdog's attorneys are set forth in its detailed time records attached as Exhibit 1a to the Sternberg Declaration. (See Sternberg Decl., ¶ 3 & Exh. 1a.) These time records were maintained contemporaneously and reflect the actual time spent and actual work performed, billed to the tenth of an hour, by all Consumer Watchdog legal staff who worked on this matter. (Sternberg Decl., ¶ 6.) In preparing their respective time records for this request, Consumer Watchdog's legal staff exercised billing judgment and eliminated time entries where appropriate. (Sternberg Decl., ¶ 5.) Consumer Watchdog submits that the time expended and work performed in the proceeding, as reflected in the time records, was reasonable and appropriate, and the minimum required to make a substantial contribution in this proceeding and to achieve the result obtained. (*Ibid.*)

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

The qualifications and experience of Consumer Watchdog's attorneys and paralegal who performed work in this matter, Pamela Pressley, Harvey Rosenfield, Daniel L. Sternberg, Ryan Mellino, and Kaitlyn Gentile, are summarized in the Sternberg Declaration. (Sternberg Decl., ¶¶ 9–25.) The Declaration of Richard M. Pearl ("Pearl Decl."), attached as Exhibit 2 to the

Sternberg Declaration, confirms that the requested rates for Consumer Watchdog's counsel are consistent with prevailing market rates.[8] Mr. Pearl is a recognized expert on attorneys' fees issues under California law. (See Sternberg Decl., Exh. 2 [Pearl Decl.], ¶¶ 3–9.) The Pearl Declaration shows that Consumer Watchdog counsel's and paralegal's 2023 rates are well within, if not below, the range of non-contingent rates charged by California attorneys in the Los Angeles area of equivalent experience, skill, and expertise for comparable services. (See *id.*, ¶¶ 10–19.) The Commissioner has also approved fee awards for Consumer Watchdog based on the same hourly rates Consumer Watchdog's legal staff is currently using in 2023 for work done in 2017–2022. (Sternberg Decl., ¶ 7.)

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

C. Consumer Watchdog's Expert Fees Are Reasonable

Consumer Watchdog incurred reasonable expert fees of $41,309.50 for the actuarial consulting services of Allan I. Schwartz at AIS Risk Consultants, Inc. (See Schwartz Decl., Exh. 8.) The specific tasks performed by Mr. Schwartz are set forth in the detailed billing records of AIS Risk Consultants, Inc. (*Ibid.*) Consumer Watchdog is informed and believes that these time records were maintained contemporaneously and reflect the actual time spent and actual work performed by Mr. Schwartz and his associates. (Schwartz Decl., ¶ 14; Sternberg Decl., ¶ 28.) Pursuant to 10 CCR sections 2662.6(b) and 2661.1(c)(1), the expert fees billed for the actuarial consulting services of Mr. Schwartz and his staff at AIS Risk Consultants, Inc. reflect

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[8] The Pearl Declaration was filed on April 15, 2022 in connection with a State Farm writ matter 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.

their current 2023 market rates for such services and amount to less than the total expert fees projected in Consumer Watchdog's Petition. (*Ibid.*; see Petition, Exh. A.)

The Commissioner has awarded Consumer Watchdog compensation for Mr. Schwartz's services based on his 2023 rate in a prior proceeding (Decision Awarding Compensation, July 12, 2023, *In the Matter of the Rate Applications of Farmers Insurance Exchange, Fire Insurance Exchange, and Mid-Century Insurance Company*, File No. PA-2022-00007, p. 16). The Commissioner has also awarded Consumer Watchdog compensation for Mr. Schwartz's services based on his 2022 rate of $870 per hour in prior proceedings (Decision Awarding Compensation, June 29, 2022, *In the Matter of the Rate Applications of Farmers Insurance Exchange, Fire Insurance Exchange, and Mid-Century Insurance Company*, File No. PA-2021-00007, p. 10; Decision Awarding Compensation, March 8, 2023, *In the Matter of the Rulemaking Hearing Re: Risk in Mitigation Plans and Wildfire Risk Models*, File Nos. REG-2020-00015 and REG-2020-00016, pp. 25–26; Schwartz Decl., ¶ 8.) The Commissioner also awarded Consumer Watchdog compensation for Mr. Schwartz's actuarial consulting services based on his 2021 hourly rate of $835 in three proceedings. In the decisions awarding compensation in these matters issued in 2021 for work performed in 2020–2021, the Commissioner found that the hourly rates requested for Consumer Watchdog's attorneys and experts were reasonable. (*See* Decision Awarding Compensation, Oct. 6, 2021, *In the Matter of the Rate Applications of Farmers Insurance Exchange, Fire Insurance Exchange, and Mid-Century Insurance Company*, File No. PA-2020-00006, p. 10; Decision Awarding Compensation, Feb. 14, 2022, *In the Matter of the Rate Application of Homesite Insurance Company of* California, File No. PA-2020-00003, p. 9; Decision Awarding Compensation, Feb. 16, 2022, *In the Matter of the New Program Applications of Farmers Insurance Exchange and Fire Insurance* Exchange, File No. PA-2020-00004, p. 9 (*Ibid.*; Schwartz Decl., Exh. 4). Mr. Schwartz's 2023 rate of $915 per hour is an increase of 5.2% from his 2022 rate of $870 per hour. (*Ibid*.)

Mr. Schwartz's over 40 years of professional actuarial experience include being President of AIS Risk Consultants, Assistant Commissioner of the New Jersey Department of Insurance, and chief actuary of the North Carolina Department of Insurance. His resume is attached to the accompanying Schwartz Declaration. (Schwartz Decl., ¶ 10, Exh. 5.) Consumer Watchdog submits that the time expended and work performed by Mr. Schwartz as CWD's sole expert in this proceeding, as reflected in his time records, including review of the initial Application, formulation of issues for the Petition, drafting of requests for information, and review of CSAA's responses and updated data, preparation of rate indications, and participation in three-way calls with the Parties to discuss his analysis was reasonable and appropriate and the minimum required to achieve the result obtained. (Sternberg Decl., ¶ 28; Schwartz Decl., ¶ 14, Exh. 8.)

V. CONCLUSION

In sum, Consumer Watchdog made a substantial contribution to the Commissioner's final decision approving CSAA's Application by identifying relevant issues and arguments as set forth in Consumer Watchdog's Petition and expanded upon in Consumer Watchdog's Requests for Information, correspondence, and discussions with the Parties. In addition, during the course of the proceeding, CSAA submitted additional relevant information, argument, and evidence in response to each of the issues raised and requests for information by Consumer Watchdog that would not have otherwise been available had Consumer Watchdog not participated. Accordingly, Consumer Watchdog made a substantial contribution to the Commissioner's decision to approve the Application based on the Parties' Stipulation and is thus entitled to its reasonable advocacy and witness fees as requested in the total amount of $77,693.50.

DATED: August 18, 2023

Respectfully submitted,

Harvey Rosenfield
Pamela Pressley
Daniel L. Sternberg
Ryan Mellino

CONSUMER WATCHDOG

By: Danny Sternberg
Daniel L. Sternberg
Attorneys for CONSUMER WATCHDOG

VERIFICATION OF DANIEL L. STERNBERG

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 August 18, 2023, at Ojai, California.

Danny Sternberg

Daniel L. Sternberg

EXHIBIT A

EXHIBIT A

SUMMARY OF FEES AND EXPENSES

File No. PA-2023-00004

ITEMS	**COST**
1. **Consumer Watchdog's Fees**	
(Detailed in billing records attached as Exhibit 1a to Sternberg Decl.)	
Harvey Rosenfield @ $695 per hour, 2.3 hours	$1,598.50
Pamela Pressley @ $595 per hour, 33.9 hours	$20,170.50
Daniel L. Sternberg @ $350 per hour, 36.2 hours	$12,670.00
Ryan Mellino @ $250 per hour, 2.1 hours	$525.00
Kaitlyn Gentile @ $200 per hour, 7.1 hours	$1,420.00
Subtotal of Consumer Watchdog's Fees	**$36,384.00**
2. **Expert Witness Fees – AIS Risk Consultants, Inc.**	
(Detailed in Exh. 8 to Schwartz Decl.)	
Allan I. Schwartz @ $915 per hour, 41.7 hours	$38,155.50
Katherine Tollar @ 415 per hour, 7.6 hours	$3,154.00
Subtotal of AIS Risk Consultants, Inc. Fees	**$41,309.50**
TOTAL ADVOCACY FEES AND WITNESS FEES:	**$77,693.50**

EXHIBIT B

In the Matter of the Rate Application of CSAA Insurance Exchange

CDI File No. 23-385, Prior Approval File No. PA-2023-00004

Consumer Watchdog's Requests for Information

Consumer Watchdog requests the following information from CSAA Insurance Exchange (hereinafter, "CSAA" or "Applicant"):

1. Explain specifically in detail what is driving the indicated rate need (e.g. type/category of losses, geographic locations, large losses, specific agencies or distribution channels, particular years/periods/events, etc.). Provide available cause of loss distributions or other exhibits demonstrating the basis for the proposed changes.

2. Describe the rationale for the proposed rate changes as those relate to the Applicant's calculated indicated need, as well as the strategic objective(s) with the overall filing (the % increase, other revisions, etc.).

3. Provide a discussion of the general type of risk profiles that will receive the larger and smaller premium changes as a result of this filing focusing particularly on the characteristics that are causing the premium changes. Please do not provide a description of only the individual policies that will receive the maximum and minimum premium change. Instead provide a description of the general characteristics of the group of policies that will receive the larger and smaller premium changes as well as the basis for targeting such risk types for the related rate changes.

4. Explain and describe other actions being taken by the company, in addition to rate revision filings, to address overall profitability and growth plans, if/as applicable.

5. Identify and explain any material increase/decrease in the inforce policy count/exposures over the past several years, identifying the underlying reason(s) and if the directional shift (growing, retracting) is in line with the company objectives in the California market.

6. Define the overall company strategy with writing business in California as well as what differentiates your product from other competitors in the marketplace, such as niche/specialty markets, geographic focus (urban, coastal, etc.), enhanced coverages, preferred/standard/non-standard-type business, multi-line offerings, etc.

7. Provide the 2019 to 2022 Annual Statements including the California State Page, Insurance Expense Exhibit, Statement of Actuarial Opinion, and Management Discussion & Analysis.

8. Provide the 2019 to 2022 Consolidated Annual Statements.

9. Provide a complete detailed description of any agreements and payments between CSAA and affiliated companies from 2019 to 2022.

10. Provide a complete detailed description of the method used by CSAA to separate advertising expenses into institutional and non-institutional expenses.

11. Provide all data, documents, correspondence, analyses, and exhibits that CSAA provided in response to CDI Bulletins related to COVID or any other requests from CDI related to COVID from 2020 to the present.

12. With regard to Comprehensive coverage, provide any data, analyses, or exhibits CSAA has dealing with losses by cause of loss.

13. There have been reports of a significant increase in catalytic converter thefts. (See, for example, https://www.repairerdrivennews.com/2023/02/08/california-joins-other-states-in-clamping-down-on-catalytic-converter-thefts/.) What portion of the proposed rate change for comprehensive is due to this type of claim?

14. California Gov. Gavin Newsom has signed bills (e.g., AB 1740 and SB 1087) intended to deal with the issue of catalytic converter theft. Explain how the rate filing takes these actions into account in deriving the rate change.

15. Exhibit 06 – Miscellaneous Fees and Other Charges states, "Because there has been a decrease in these amounts over time, using the actual charges for prior years would overstate the amounts for ratemaking purposes." Provide a complete explanation of the reasons for the decrease in these amounts other time, including the amount of Fees and Charges by category by year. Also explain why these Fees and Charges are expected to stay at the low level observed in the latest year.

16. Exhibit 07 – Loss Development Factors states, "CSAA Insurance Exchange has selected incurred loss development for this rate application. We believe the incurred method is more responsive to changes in claims information. The incurred method allows for longer tailed claims with severe case reserves to be reflected in the ultimate earlier than the paid method. Therefore, we believe the incurred method is the most actuarial sound estimate." Provide a complete explanation comparing the loss development procedures used in the filing to the procedures used in the actuarial reserve report for 12/31/2022.

17. Exhibit 07 – Loss Development Factors states, "To account for increases in formula reserves for several coverages in 2022, CSIE is requesting a variance to our loss development factors. Details on this variance request can be found in Exhibit 13." Provide a complete explanation comparing the procedures used in the variance request to the procedures used in the actuarial reserve report for 12/31/2022 to account for this change in claim reserving.

18. Exhibit 08 – Loss Trend states, "Due to claims that reopen after the initial close date, losses stemming from more-recently closed claims are theoretically biased as it has yet to pay losses past the initial close date." Provide data for 2020 to 2022 showing by coverage the percentage of claims and percentage of dollars that reopen.

19. Provide a comparison of the selected trends set forth in Exhibit 8 of the filing compared to those consistent with the actuarial reserve report for 12/31/2022.

20. With regard to Exhibit 09 – Catastrophe Adjustment, provide an explanation of the procedures used to determine the amount of Catastrophe Net Paid Loss & DCCE and Catastrophe Case Reserves.

21. Exhibit 11 – Ancillary Income states "Because there has been a [sic] increasing trend in these amounts over time, using the actual charges for prior years would understate the amounts for ratemaking purposes." Provide a complete explanation of the reasons for the increase in these amounts other time, including the amount of Income by category by year. Also explain why the Income is expected to stay at the high level observed in the latest year.

22. CDI had objections related to the difference between incurred and paid development, as well as the closing rate of claims. Provide a complete explanation of how these issues were examined and handled in the actuarial reserve report for 12/31/2022.

23. The rate application (Page 7, Line 11) showed a net income of $522 million for 2021, which is about 25% of premium. Explain how those large profits are consistent with the large rate increase being requested.

24. Provide an update of the rate application pages 6 and 7 covering 2022.

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 May 2, 2023, I caused service of true and correct copies of the document entitled

CONSUMER WATCHDOG'S REQUESTS FOR INFORMATION

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 May 2, 2023 at Los Angeles, California.

Kaitlyn Gentile

Service List

Lisbeth Landsman-Smith Melissa Wurster Sara Ahn Rate Enforcement Bureau **California Department of Insurance** 1901 Harrison Street, 4th Floor Oakland, CA 94612 Tel. (415) 538-4111 Fax (510) 238-7830 Lisbeth.Landsman@insurance.ca.gov Melissa.Wurster@insurance.ca.gov Sara.Ahn@insurance.ca.gov	☐ FAX ☐ U.S. MAIL ☐ OVERNIGHT MAIL ☐ HAND DELIVERED ☒ EMAIL
Katherine Evans Vice President, Regulatory & Government Affairs **CSAA Insurance Group** 3055 Oak Road, MS W560 Walnut Creek, CA 94597-2098 Tel. (925) 279-4152 katherine.evans@csaa.com	☐ FAX ☐ U.S. MAIL ☐ OVERNIGHT MAIL ☐ HAND DELIVERED ☒ EMAIL
Bob Hoffman **Dentons US LLP** 1999 Harrison St., Ste. 1300 Oakland, CA 94612-4709 Phone: 415-882-5000 Fax: 415-882-0300 robert.hoffman@dentons.com	☐ FAX ☐ U.S. MAIL ☐ OVERNIGHT MAIL ☐ HAND DELIVERED ☒ EMAIL

EXHIBIT C

CSAA Insurance Exchange's Response to Consumer Watchdog's Petition to Intervene

Loss and Premium Trends (10 CCR § 2644.7): The selected annual net trends for various coverages including the BI, PD, MED, Comp, Coll and maintenance coverages are among the highest of the possible twenty values based upon the applicable regulation. The excessive net trends overstate the projected loss ratios resulting in an inflated rate indication. Also, the Applicant does not demonstrate that the selected trend factors and trend data period used are the most actuarially sound.

Response: Intervenor argues that Applicant has selected annual net trends that are "among the highest" of the possible twenty values, and that choosing these net trends overstates the projected loss ratios, resulting in an inflated rate indication.

The unique experience of the Covid-19 pandemic, and public responses that included shelter-in-place orders throughout the California communities Applicant serves, caused a sudden and remarkable reduction in miles driven and traffic density, as schools closed, workers switched from in-office to remote work, and fewer routine trips were taken. Industry claims data shows an accompanying decline in frequency between 2019Q4 and 2020Q2. Applicant saw this decline as well.

However, following the decline of the early pandemic and as stay-at-home orders were lifted and driving behavior began to return, frequency also began to increase, to the point where it today is approaching pre-pandemic levels.[i]

When projecting future losses, Applicant must account for both the frequency decline in early 2020 and the steady increase since. The frequency drop seen in most coverages between 2019Q4 and 2020Q2 creates a significant distortion in longer term fits for most coverages; a selection using one of these fits assumes that frequency is expected to drop by a similar amount in the prospective trend period. This is an unreasonable expectation.

While the exact frequency of modern pandemics significant enough to cause a widespread and rapid decline in driving behavior is unknown, data since 1900 allows us to estimate they occur roughly once every hundred years. Therefore the probability of such an event occurring within the prospective trend period is approximately 0.025.

Applicant's philosophy, then, is based on the assumption that frequency is expected to continue to increase for each coverage as frequency reapproaches pre-pandemic levels. Rather than selecting an increase, however, Applicant chose a more conservative approach that assumes that frequency will not significantly decrease. For each coverage, Applicant chose the frequency trend from the available fits and bases that was closest to zero.

The analysis therefore excludes those net trends that are unreasonable due to the assumption of significant negative frequency. If net trends based on significant negative frequency are excluded, the number of available selections decreases and our selections are no longer "among the highest" but rather near the middle or towards the low end of the range.

Intervenor also argues that Applicant has not demonstrated that the selected trend factors and trend data period used are the most actuarially sound.

Attached is a detailed explanation for how Applicant derived the selected trends for the four largest coverages (representing 92.8% of earned premium).

Evidence from the most recent quarter of data shows that Applicant's most recent annualized net trends, overall, are actually higher than what was filed using data from 2022Q4. The below table shows net trends for the four largest coverages:

	Net Trend	
Coverage	**2022Q4 Expected**	**2023Q1 Actual**
BI	5.5%	16.9%
PD	9.6%	15.4%
Comp	14.7%	17.7%
Coll	17.6%	12.9%
EP-weighted average	13.1%	14.9%

Based on this, Applicant concludes that its trend selections are appropriate and supported by subsequent experience.

Improper Loss Development (10 CCR § 2644.6): Applicant uses incurred loss development in the rate templates. Incurred development results in higher projected losses than paid development. For example, for the BI coverage incurred development is materially higher than paid development. The developed incurred losses are 20% higher than the developed paid losses for the most recent year for BI. Applicant fails to explain why there is such a large difference between the paid and incurred development. Nor do they demonstrate that the much higher incurred development method is the most actuarially sound.

Intervenor argues that Applicant's selection of incurred loss development results in higher projected losses than paid development, and that Applicant fails to explain the large difference between paid and incurred. Intervenor identifies a 20% difference between developed incurred and developed paid losses for BI.

The gap between Paid and Incurred ultimates for BI is driven by a claim mix shift, resulting from the Covid pandemic:

a. Claim volume decreased during shelter-in-place orders. With lower volume, Applicant's claims department closed a high proportion of simple non-litigated/non-represented claims, while more complex claims remained pending. This would understate the paid method.
b. As the less complex claims were closed, the proportion of claims under litigation or attorney representation increased since the initial pandemic period. This is due in part to:
    i. Court shutdowns early in the pandemic resulting in delays in settlement of litigated claims.
    ii. A decrease in traffic density due to stay-at-home orders led to a higher proportion of severe accidents, with higher BI severities.
    iii. Ongoing industry challenges raised by changing attitudes towards lawsuits and litigation.

Intervenor also argues that Applicant fails to demonstrate that using incurred development is the most actuarially sound.

Of the two available development options, Incurred is more actuarially sound than Paid for BI. The mix shift described above led to simpler, lower severity claims making up a higher proportion of paid claims for injury liability coverages, while more complex claims (including litigated claims) remained unpaid for longer periods. Thus, Paid development factors for the most recent years significantly understate expected Paid loss development during periods not impacted by the pandemic.[ii]

Using the 3-year average LDFs for the period immediately prior to the pandemic (I.e., the three AYs ending 2019Q4), the 12-to-Ultimate paid LDF is 9.862, compared to 8.687 using the three most recent AYs, each of which has been impacted by pandemic settlement distortions. If the 9.862 LDF is applied to the $22,255,540 in paid losses plus DCCE for the AY ending 2022Q4, the resulting ultimate paid loss value is $219,489,510, compared with $193,338,124 using the most recent pandemic-influenced Paid LDFs.

Additionally, as shown in Exhibit 8, the 4-quarter rolling average pure premium for BI as of 2022Q4 is $111, which is 90.3% of the value as of 2019Q4 ($123). This implies that the ultimate losses for the AY ending 2022Q4 resulting from the Paid method (which are 71.9% of the ultimate Paid losses for the AY ending 2019Q4) are an underestimate, and that the ultimate Incurred losses for the AY ending 2022Q4 (which are 83.2% of the ultimate Incurred losses for the AY ending 2019Q4) are a more actuarially sound estimate.

Improper / Unsupported Excluded Expenses (10 CCR§ 2644.10): Applicant has not shown that the $0 institutional advertising expenses listed on page 4.1 of the rate application are appropriate. In addition, during 2021 the Applicant paid about $731 million in "Management Agreements and Service Contracts" to affiliates. Applicant has not shown that the payment represents a fair market rate or value. 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.

Intervenor argues that Applicant has not supported that $0 in institutional advertising expense is appropriate. Applicant has no advertising that meets the definition of institutional advertising. The minimal amount of advertising conducted by Applicant is a call to action, specifically attempting to drive insurance sales, and solely non-institutional. The Auto Club (agency) does some institutional advertising for the overall AAA brand which includes member services, travel, and roadside assistance. This expense is borne exclusively by the Auto Club.

Intervenor also argues that Applicant has not shown that $731 million "Management Agreements and Service Contracts" payment in 2021 represents a fair market rate or value. First, 2021 Schedule Y shows that only $424 million of the $731 million received by CSAA Insurance Services comes from CSAA Insurance Exchange:

ANNUAL STATEMENT FOR THE YEAR 2021 OF THE CSAA INSURANCE EXCHANGE

SCHEDULE Y

PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

1 NAIC Company Code	2 ID Number	3 Names of Insurers and Parent, Subsidiaries or Affiliates	4 Shareholder Dividends	5 Capital Contributions	6 Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	7 Income/ (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	8 Management Agreements and Service Contracts	9 Income/ (Disbursements) Incurred Under Reinsurance Agreements	10 *	11 Any Other Material Activity Not in the Ordinary Course of the Insurer's Business	12 Totals	13 Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/(Liability)
15539	94-0361650	CSAA Insurance Exchange	0	(68,760,205)	18,561,852	0	(424,049,570)	0	*	0	(474,247,923)	(1,544,723,674)
37770	33-0382971	CSAA General Insurance Company	0	0	0	0	(224,189,930)	0	*	0	(224,189,930)	1,113,133,218
10921	91-1874022	CSAA Fire & Casualty Insurance Company	0	0	0	0	(39,898,824)	0	*	0	(39,898,824)	210,334,708
11681	23-0758070	CSAA Affinity Insurance Company	0	0	0	0	(29,771,879)	0	*	0	(29,771,879)	153,607,759
10675	23-2866784	Mobilitas General Insurance Company	0	0	0	0	(1,607,399)	0	*	0	(1,607,399)	38,916,393
42960	23-2639473	CSAA Mid-Atlantic Insurance Company of New Jersey	0	0	0	0	(1,510,381)	0	*	0	(1,510,381)	3,621,208
16392	83-1265529	Mobilitas Insurance Company	0	0	0	0	(11,071,506)	0	*	0	(11,071,506)	25,110,388
16599	83-4326533	Mobilitas Insurance Company of Arizona	0	34,500,000	0	0	(61,494)	0	*	0	34,438,506	0
	26-2328071	Club Marketing Services, LLC	0	0	0	0	0	0		0	0	0
	46-4417209	CSAA Insurance Services, Inc.	0	0	0	0	731,135,743	0		0	731,135,743	0
	85-2058289	CSAA Specialized Services LLC	0	0	0	0	(450,183)	0		0	(450,183)	0
	46-3234238	CSAA Investment Fund, LLC	0	0	0	0	(2,149,012)	0		0	(2,149,012)	0
	94-3327479	CSAA Life and Financial Services, Inc.	0	0	0	0	3,494	0		0	3,494	0
84162	99-0344269	Pacific Beacon Life Reassurance, Inc.	0	17,000,000	0	0	(59,008,006)	77,067,444		0	35,059,438	(803,246,557)
	38-3416375	ACLI Acquisition Company	0	0	0	0	0	0		0	0	0
71854	52-0891929	AAA Life Insurance Company	0	0	0	0	63,172,771	(77,067,444)		0	(13,894,673)	803,246,557
15282	45-0668011	AAA Life Insurance Company of New York	0	0	0	0	(1,483,560)	0		0	(1,483,560)	0
	82-2101434	AAA Life Agency, LLC	0	0	0	0	(21,300)	0		0	(21,300)	0
	46-1528615	2445 St. Rose Parkway LLC	0	0	0	0	1,392,934	0		0	1,392,934	0
	20-3510151	Pathway Private Equity Fund/CSAA Venture Capital Fund, LLC	0	98,428	(6,320,341)	0	0	0		0	(6,221,913)	0
	20-3510060	Pathway Private Equity Fund/CSAA Special Equity Fund, LLC	0	667,814	(12,241,511)	0	0	0		0	(11,573,697)	0
	38-4024545	Avanta Studios LLC	0	1,100,000	0	0	(370,348)	0		0	729,652	0
	38-4047238	Avanta Ventures LLC	0	15,393,963	0	0	(61,550)	0		0	15,332,413	0
9999999 Control Totals			0	0	0	0	0	0	XXX	0	0	0

The audited CSAA Insurance Services financial statement for 2021 shows that the $731 million in service revenue received by CSAA Insurance Services is part of $755 million in total income, of which $753 million is allocated to operating expenses leaving $1.8 million in operating income. This demonstrates that there is no markup and that the payment made by Applicant to its attorney-in-fact is not excessive.

CSAA Insurance Services, Inc., and Subsidiary
Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2021 and 2020

(in thousands of dollars)

	2021	2020
REVENUE		
Service revenue	$ 731,451	$ 717,640
Other revenue	24,005	6,772
Total revenue	755,456	724,412
OPERATING EXPENSES		
Salaries and employee benefits	431,401	446,525
Professional services	103,571	68,971
Contract labor	74,624	72,974
Equipment and software cost	60,746	51,799
Advertising	50,970	51,085
General and administrative expenses	22,278	24,894
Other operating expenses	9,719	8,720
Total operating expenses	753,309	724,968
INCOME (LOSS) BEFORE TAX	2,147	(556)
Income tax expense	378	563
Net income (loss)	$ 1,769	$ (1,119)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Change in pension and other postretirement benefit, net of tax	5,284	(70,660)
Comprehensive income (loss)	$ 7,053	$ (71,779)

Improper / Unsupported Variance 7C(10 CCR § 2644.27(f)(7)(C)): Applicant failed to adequately support its variance for loss development, or that it is the most actuarially sound method.

Intervenor argues that Applicant has not supported its requested variance for loss development. The requested variance lowers Applicant's indicated rate level by around 5 ppts.

In 2022, Applicant increased its statutory reserve amounts for several coverages, in response to continuing increases in average final severity per claim.[iii] Given that these statutory reserve amounts are higher than prior amounts, this means that for some coverages, incurred losses for the latest development year will be higher than they would have been if statutory reserve amounts had not changed. This results in an artificial inflation in LDFs for the most recent development period.

Applicant submits that due to significant inflation in vehicle replacement costs, material and labor costs for vehicle repair, and medical services costs, the new statutory reserve amounts per claim (as described in Exhibit 13) are valid and are more representative of expected losses for the prospective period than the previously used statutory reserve amounts.[iv] Thus, incurred losses to date for the AY ending 2022Q4 are more accurate on a higher, non-variance basis. However, because loss development factors for prior AYs would be inflated due to this change, we have chosen to restate all such losses at the prior, lower statutory reserve amounts. The resulting lower incurred losses for the AY ending 2022Q4, and the lower ultimate losses, are still sufficient to support our requested rate increase.

[i] *See* “Personal auto premiums to jump another 7% in 2023” PropertyCasualty360. “‘Many of the factors that contributed to rate increases in 2022 will continue to be in play for American drivers in 2023,’ Snejina Zacharia, Insurify’s CEO and founder, said in a release. ‘Our annual data reflects the state of the insurance industry, and our new report projects that **higher driving rates**, more severe accidents, inflation’s impact on vehicle repairs and medical costs and the potentially increased frequency of wildfires and hurricanes will continue to be the key factors contributing to rate increases next year.’” *See also* Best’s Market Segment Report: AM Best Maintains Negative Outlook on U.S. Personal Lines Insurance Segment, “‘The increase in loss severity has been driven by several factors: the higher rate of fatalities, increases in the costs to repair newer vehicles, higher used car prices, supply chain and labor market challenges, and rising medical costs. **The return to more normal frequency levels following the pandemic lockdowns has led to further profitability pressures.**’” *See also* BMO Capital Markets Insurance Non-Life, April 27, 2023 “Auto Inflation is Stubbornly Persisting at Double-Digit/~2x Historical Levels.”

[ii] See “Estimating Unpaid Claims Using Basic Techniques,” Jacqueline Friedland, FCAS, FCIA, MAAA, FCA KPMG LLP With significant contributions by Rachel Dutil, FCAS, FCIA and Edward Lam, FCAS KPMG LLP July 30 2010. “The [chain ladder] development technique is based on the premise that we can predict future claims activity for an accident year (or policy year, report year, etc.) based on historical claims activity to date for that accident year. The primary assumption of this technique is that the reporting and payment of future claims will be similar to the patterns observed in the past. When used with reported claims, there is an implicit assumption that there have been no significant changes in the adequacy of case outstanding during the experience period; when used with paid claims, there is an implicit assumption that there have been no significant changes during the experience period in the speed of claims closure and payment.” p.95

[iii] *See* "Rise in US labour costs and inflation strengthen case for Fed rate rise” *Financial Times (ft.com)* “‘The latest readings that we’re getting on inflation pressures just aren’t moving in the right direction from the Fed’s perspective,’ said Nancy Vanden Houten, lead US economist at Oxford Economics. ‘By many measures the [labour] market is still tight, and that may just mean that it takes longer for wage pressures to come down.’” *See also* “Auto Insurance Inflation Slowed in February While Carriers Raise Rates” (pandcspecialist.com) “Motor vehicle insurance inflation rose 14.5% year-over-year in February, a slight slowdown from 14.7% in January. On a monthly basis, motor vehicle CPI rose 1.6% in February, up a hair from 1.5% in January.” *See also* “Over 113,00 New Collision Technicians Needed by 2026” Caliber Perspective 2023

[iv] Motor vehicle repair is up 17.4% annually from March 2022 to March 2023. *See* Table 2. Consumer Price Index for All Urban Consumers (CPI-U): U. S. city average, by detailed expenditure category - 2023 M03 Results (bls.gov)

EXHIBIT D

In the Matter of the Rate Application of CSAA Insurance Exchange
CDI File No. 23-385, Prior Approval File No. PA-2023-00004

CSAA Insurance Exchange's Response to Consumer Watchdog's Requests for Information

1. Explain specifically in detail what is driving the indicated rate need (e.g. type/category of losses, geographic locations, large losses, specific agencies or distribution channels, particular years/periods/events, etc.). Provide available cause of loss distributions or other exhibits demonstrating the basis for the proposed changes.

Response: Respondent's indicated rate need is not driven by any specific type of loss, location, large loss, or agency/channel. Rather, Respondent's indicated rate need is driven by increases in the costs of new and used vehicles, vehicle repair parts and labor, and medical expenses, and Respondent's current and projected loss experience across its entire Auto book. Data from the Bureau of Labor Statistics shows that the consumer price index for new and used motor vehicles, for the Pacific region, has increased by 22% since January of 2021. The CPI for motor vehicle parts and equipment has also increased by 22% over the same time period, while the CPI for motor vehicle repair costs has increased by 26%. Please see the exhibit titled "BLS CPI Summary 2023-05-02.docx" for more details.

2. Describe the rationale for the proposed rate changes as those relate to the Applicant's calculated indicated need, as well as the strategic objective(s) with the overall filing (the % increase, other revisions, etc.).

Response: The proposed rate changes by coverage were selected to distribute the Respondent's overall target rate change of 25% appropriately across coverages. Where possible, Respondent selected a rate change that was well inside the range defined by the minimum and maximum indicated rate need for each coverage, rather than choosing a rate change at the absolute minimum or maximum indication. Although the max indication is +37% and would be appropriate, Respondent selected a rate change of +25% in an effort to minimize the burden on its policyholders to the extent possible.

3. Provide a discussion of the general type of risk profiles that will receive the larger and smaller premium changes as a result of this filing focusing particularly on the characteristics that are causing the premium changes. Please do not provide a description of only the individual policies that will receive the maximum and minimum premium change. Instead provide a description of the general characteristics of the group of policies that will receive the larger and smaller premium changes as well as the basis for targeting such risk types for the related rate changes.

Response: No risk type is being targeted; rather, the base rate increase is based on our expected losses, as explained below.

This is a base rate only filing, with no changes to the class plan. In general, the policies that will see the largest premium increases are Comprehensive-only policies. Following that, the largest increases will be for policies with full coverage. This is because the largest percent increases by coverage are for Comprehensive and Collision; policies with full coverage and consisting of vehicles subject to higher Comprehensive and Collision rates relative to liability rates (high value or newer vehicles), will have a higher proportion of premium in these coverages and thus a larger overall increase.

Conversely, policies seeing smaller premium changes will be liability only policies.

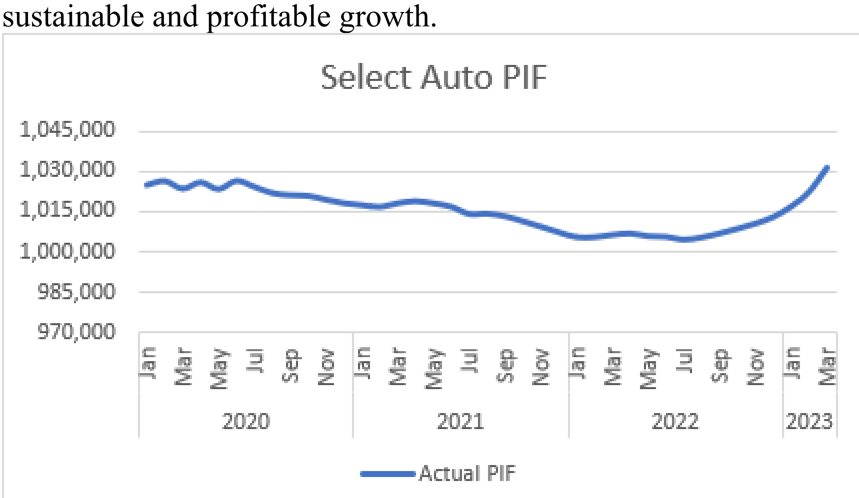
In both cases, the impact is a direct result of the indicated rate change by coverage. Indications for physical damage coverages are significantly higher than those for liability coverages, primarily due to persistently high severity trends for these coverages.

4. Explain and describe other actions being taken by the company, in addition to rate revision filings, to address overall profitability and growth plans, if/as applicable.

Response: Despite profitability pressure and the significant growth in new business caused by competitor underwriting actions, Respondent has not taken action to address overall profitability and constrain growth. As a California domiciled insurer with a 120-year history in the state, Respondent wishes to remain an insurer of choice for all residents of California. However, current growth and profitability pressures are not sustainable, so Respondent is exploring all available options in addition to the current rate filing.

5. Identify and explain any material increase/decrease in the inforce policy count/exposures over the past several years, identifying the underlying reason(s) and if the directional shift (growing, retracting) is in line with the company objectives in the California market.

Response: Beginning in the second half of 2022, Respondent's in-force policy count unexpectedly began to grow rapidly as competitors initiated aggressive underwriting action such as closing offices, shutting down on-line sales, and implementing waiting periods. This increase in acceleration of new business and in-force policies are contributing to Respondent's deteriorating profitability. As a California domiciled insurer with a 120-year history in the state, Respondent wishes to remain an insurer of choice for *all* residents of California – but it must be sustainable and profitable growth.



6. Define the overall company strategy with writing business in California as well as what differentiates your product from other competitors in the marketplace, such as niche/specialty markets, geographic focus (urban, coastal, etc.), enhanced coverages, preferred/standard/non-standard-type business, multi-line offerings, etc.

Response: Respondent writes predominantly "Good Driver" policies in the standard/preferred market with a geographic focus on Northern and Central California. In addition to Auto, Property and Umbrella lines are offered. Respondent is a reciprocal insurance exchange, not a publicly traded company responsible to shareholders. As a reciprocal exchange, Respondent exists to serve its policyholder members; any profits or proceeds are for the benefit the Respondent's members.

7. Provide the 2019 to 2022 Annual Statements including the California State Page, Insurance Expense Exhibit, Statement of Actuarial Opinion, and Management Discussion & Analysis.

Response: Please see the following documents:

IE_AS2019_FINAL.pdf
IE_AS2020_FINAL.pdf
IE_AS2021_FINAL.pdf
IE_AS2022_FINAL.pdf
2019 IEE.pdf
2020 IEE.pdf
2021 IEE.pdf
2022 IEE.pdf
2019 Actuarial Opinion.pdf
2020 Actuarial Opinion.pdf
2021 Actuarial Opinion.pdf
2022 Actuarial Opinion.pdf
2019 MD&A.pdf
2020 MD&A.pdf
2021 MD&A.pdf
2022 MD&A.pdf

8. Provide the 2019 to 2022 Consolidated Annual Statements.

Response: Please see the following documents:

2019 Combined Annual Statement FINAL.pdf
2020 Combined Annual Statement FINAL.pdf
2021 Combined Annual Statement FINAL.pdf
2022 Combined Annual Statement FINAL.pdf

9. Provide a complete detailed description of any agreements and payments between CSAA and affiliated companies from 2019 to 2022.

Response: Please see the following documents, in addition to Schedule Y found in the annual statements provided in response to Question 7:

2019 CSAA IS Income Statement.pdf
2020 CSAA IS Income Statement.pdf
2021 CSAA IS Income Statement.pdf

The 2022 CSAA IS GAAP financial statement is not yet available as of the date of this response.

10. Provide a complete detailed description of the method used by CSAA to separate advertising expenses into institutional and non-institutional expenses.

Response: CSAA IE has no advertising that meets the definition of institutional advertising. The minimal amount of advertising conducted by CSAA is a call to action, specifically attempting to drive insurance sales, and solely non-institutional. The Auto Club (agency) does some institutional advertising for the overall AAA brand which includes member services, travel, and roadside assistance. This expense is borne exclusively by the Auto Club.

11. Provide all data, documents, correspondence, analyses, and exhibits that CSAA provided in response to CDI Bulletins related to COVID or any other requests from CDI related to COVID from 2020 to the present.

Response: Respondent objects to this information request on the grounds that communications between CDI and Respondent concerning COVID are irrelevant to the Rate Application of CSAA Insurance Exchange, which is concerned only with prospective rates, and are irrelevant to Consumer Watchdog's Petition for Intervention, which makes no allegations concerning COVID-related matters. Notwithstanding the foregoing, please see the following documents:

InsExch Covid19RptFormsMay1420Final.xlsx
InsExch Covid19RptFormsMay1420Final-Revised.xlsx
InsExch Covid19RptFormsJune2020.xlsx
InsExch Covid19RptFormsDec2020.xlsx
InsExch Covid19RptFormsMarch2021.xlsx
InsExch Covid19RptFormsMarch2021SupplementalRpt.xlsx
InsExch Covid19RptFormsJune2021.xlsx
InsExch Quarterly Data 09-2020.xlsx
Supplemental-COVID-19-Exposure-and-Premium-Template-06-03-2021.xlsm
Letter from CSAA Insurance Exchange data 4/23/20
RE: Two Related Questions dated 4/30/20
RE: [EXTERNAL] FW: LETTER RE ADDITIONAL PREMIUM REFUNDS, CREDITS AND REDUCTIONS IN RESPONSE TO COVID 19 PANDEMIC – CDI File No. OV-2020-00093 dated 11/14/21
RE: [EXTERNAL] Additional Premium Refunds, Credits, and Reductions in Response to COVID-19 Pandemic dated 12/17/21
RE: [EXTERNAL] Additional Premium Refunds, Credits, and Reductions in Response to COVID-19 Pandemic dated 2/22/22

CSAA Insurance Exchange Response to 2/7/23 Letter re. Additional Premium Refunds, Credits, and Reductions in Response to COVID-19 Pandemic dated 2/14/23

RE: [EXTERNAL] RE: CSAA Insurance Exchange Response to 2/7/23 Letter re. Additional Premium Refunds, Credits, and Reductions in Response to COVID-19 Pandemic dated 3/23/23

12. With regard to Comprehensive coverage, provide any data, analyses, or exhibits CSAA has dealing with losses by cause of loss.

Response: Please see the document "Comp by Cause of Loss.xlsx".

13. There have been reports of a significant increase in catalytic converter thefts. (See, for example, https://www.repairerdrivennews.com/2023/02/08/california-joins-other-statesin-clamping-down-on-catalytic-converter-thefts/.) What portion of the proposed rate change for comprehensive is due to this type of claim?

Response: Catalytic Converter thefts made up approximately 12% of total Comprehensive losses for CA in 2022. Taken as a whole, Catalytic Converter thefts comprise 22.6 ppts of the Respondent's overall 83.6% indication (without variance).

14. California Gov. Gavin Newsom has signed bills (e.g., AB 1740 and SB 1087) intended to deal with the issue of catalytic converter theft. Explain how the rate filing takes these actions into account in deriving the rate change.

Response: Since their January 1, 2023 effective date, AB 1740 and SB 1087 have had limited impact on the Respondent's volume of Catalytic Converter Thefts in California. Both the Catalytic Converter raw claim counts and the % of total claims were the third highest on record in Q1 2023. Despite the legislation, Respondent received 13% more Catalytic Converter claims in Q1 2023 than they did one year prior in Q1 2022 and 38% more claims than two years prior in Q1 2021. With their recent update to this filing, Respondent included Q1 2023 data which would have been impacted by these statutes. This updated data still support Respondent's filed indication for Comprehensive coverage.

15. Exhibit 06 – Miscellaneous Fees and Other Charges states, "Because there has been a decrease in these amounts over time, using the actual charges for prior years would overstate the amounts for ratemaking purposes." Provide a complete explanation of the reasons for the decrease in these amounts other time, including the amount of Fees and Charges by category by year. Also explain why these Fees and Charges are expected to stay at the low level observed in the latest year.

Response: The decrease shown on Exhibit 06 – Miscellaneous Fees and Other Charges is driven by Installment Fees. The decrease in these fees is the result of an increase in customers choosing to pay via Electronic Fund Transfers (EFT). Per Respondent's filed rules installment fees are $7 per installment, but only $3 when paying via EFT. This shift is driven by two factors: 1) consumer behavior and 2) Respondent's down payment requirements.

Consumers are becoming increasingly comfortable transacting business electronically. This accelerated during and following the pandemic in 2020 and Respondent anticipates this trend to continue as electronic banking and payment become the norm.

Per Respondent's filed rules, low down payment is available to customers electing to pay via EFT. One of the primary ways major competitors have chosen to slow new business in 2022 and 2023 is to increase down payment requirements. Some carriers are now requiring 50% or even 100% down for new business. This has resulted in customers who wish to make a low-down payment insuring with Respondent, who has seen EFT utilization increase steadily from 40% in 2020 to 56% today. Respondent anticipates this trend continuing as multiple competitors have filed increased down payment requirements.

Note: While preparing a response to Question 15, a data error was discovered in Exhibit 06 – Miscellaneous Fees and Other Charges. Corrected exhibits and indications will be filed by 5/8/2023. The impact of this error is less than a +1ppt increase in the 2023Q1 indication that is currently filed. The table below reflects the corrected data.

CSAA IE Miscellaneous Fees			
	2021Q1	**2022Q1**	**2023Q1**
WP	2,107,932,324	2,138,115,583	2,323,428,455
EP	2,113,814,685	2,115,282,019	2,210,724,589
Install Fee	31,785,453	29,705,513	26,228,940

16. Exhibit 07 – Loss Development Factors states, "CSAA Insurance Exchange has selected incurred loss development for this rate application. We believe the incurred method is more responsive to changes in claims information. The incurred method allows for longer tailed claims with severe case reserves to be reflected in the ultimate earlier than the paid method. Therefore, we believe the incurred method is the most actuarial sound estimate." Provide a complete explanation comparing the loss development procedures used in the filing to the procedures used in the actuarial reserve report for 12/31/2022.

Response: Proposition 103, and the ratemaking templates promulgated by the CDI, allow for the use of either paid loss development or incurred loss development for rate indications; they do not allow for the derivation of an Actuarial Central Estimate of ultimate liability, or for the use of methods such as Bornhuetter-Ferguson (both of which were done for CSAA's 2022 Actuarial Report), without a variance.

For most coverages, the expected ultimate losses using paid loss development and incurred loss development are nearly the same. When choosing between paid and incurred loss development, for those coverages with more substantial differences, Respondent considered the following. Paid loss development is appropriate when losses for each accident year are paid at a consistent rate; as described below, "[p]aid loss development assumes that the ratio of losses paid in one period to losses paid in an earlier period is consistent over time."

With the onset of Covid-19, Respondent saw changes in the rate at which losses were paid for injury liability coverages (BI, UMBI, and UIMBI). There were multiple reasons for this, including:

- The sudden decline in frequency in early 2020 gave the Respondent's claims adjustment staff capacity to close a high proportion of simpler, lower-severity claims;
- Closures of courts due to the pandemic led to longer delays in the adjudication and settlement of more complex claims with attorney representation;
- Lower traffic density due to stay-at-home orders led to an increase in the proportion of severe accidents, with higher severities;
- Social inflation and changing attitudes towards litigation led to an increase in the proportion of claims under attorney representation.

For these reasons, paid loss development was determined to be inappropriate; incurred loss development was determined to be more appropriate.

Below is an excerpt from the 2022 Actuarial Report on loss development procedures:

> *"In developing the actuarial central estimates of unpaid claims estimates shown in this report, PwC first projected paid and incurred losses to estimated ultimate values using several actuarial methods. We selected an ultimate value by reviewing the various ultimate estimates and applying actuarial judgment to achieve a reasonable ACE (Actuarial Central Estimate) for the ultimate liability. The selected reserves were then determined as the difference between the selected ultimate loss and the paid loss. The difference between the selected ultimate loss and the incurred loss is PwC's actuarial central estimate of the reserve for losses which were incurred but not reported (IBNR). As such, the IBNR estimate includes a provision for both developments on known cases as well as a provision for late reported claims. The following actuarial methods were used in projecting ultimate losses:*
>
> *• Paid loss development*
>
> *• Incurred loss development*
>
> *• Bornhuetter-Ferguson using exposures and paid loss*
>
> *• Bornhuetter-Ferguson using exposures and incurred loss*
>
> *• Bornhuetter-Ferguson using premiums and paid loss*
>
> *• Bornhuetter-Ferguson using premiums and incurred loss*
>
> *• Loss ratio*
>
> *Paid loss development assumes that the ratio of losses paid in one period to losses paid in an earlier period is consistent over time. For example, if, on average, paid losses at 24 months after the start of the year were 150% of losses at 12 months, loss development from 12 to 24 months is projected to be 50%. Similarly, if losses at 36 months were 120%*

of losses at 24 months, then the combined loss development from 12 to 36 months is projected to be 80% (1.50 x 1.20 = 1.80).

The process of estimating period to period development factors is normally continued until a level of maturity is reached at which point no additional movement is expected.

Incurred loss development is similar to the prior method but uses incurred losses (paid loss plus case loss reserves) instead of paid losses.

The Bornhuetter-Ferguson method based on exposures and paid (or incurred) loss is a variation on the traditional development approach. The basic premise underlying this technique is that loss varies proportionately with exposures. Initial expected loss rates are selected based on historical loss experience and resulting trends. This is balanced by assuming that only future losses will develop at this rate. The percent of paid (or incurred) loss to ultimate loss implied from the paid (or incurred) loss development method is used to determine the percentage of expected ultimate loss yet to be developed. Current losses are added to losses yet to be developed, yielding an estimate of ultimate loss for each year. Bornhuetter-Ferguson methods are also used with premiums instead of exposures.

The loss ratio method applies expected loss ratios to earned premium to yield an estimate of ultimate loss."

17. Exhibit 07 – Loss Development Factors states, "To account for increases in formula reserves for several coverages in 2022, CSIE is requesting a variance to our loss development factors. Details on this variance request can be found in Exhibit 13." Provide a complete explanation comparing the procedures used in the variance request to the procedures used in the actuarial reserve report for 12/31/2022 to account for this change in claim reserving.

Response: The Actuarial Report includes the following excerpt in the Observations section of the report:

"Operational Changes and Other Changes in Conditions

There was a slowdown in the claim closure rate across all companies for auto liability and auto physical damage in 2021 that continued through 2022. The Company updated its formula reserves during 2022, with a roughly 10% increase for bodily injury claims and a 40% to 55% increase for collision and property damage liability. There were also significant increases for formula reserves on comprehensive claims – especially stolen vehicles, which almost tripled."

The underlying loss data in the Actuarial Report was not explicitly adjusted for the change in formula reserves. The methods described in the response to Question 16 were applied to unadjusted loss data. The weights on the methods are selected by the appointed actuary based on their actuarial judgment and review of the company's data.

In CSAA's filing, an explicit adjustment was made to incurred losses to account for this change in formula reserves. For those claims within the Respondent's data that have a case reserve equal to the new formula amount, the case reserve amount was restated to the lower, prior value. **The net impact is a decrease in the overall indication.**

18. Exhibit 08 – Loss Trend states, "Due to claims that reopen after the initial close date, losses stemming from more-recently closed claims are theoretically biased as it has yet to pay losses past the initial close date." Provide data for 2020 to 2022 showing by coverage the percentage of claims and percentage of dollars that reopen.

Response: Please see the document "Reopened Claims Data.xlsx". Note that the data are on an accident year basis; so the proportions of reopened claims and paid losses on reopened claims for 2022 shown here (as of April 2023) are expected to increase, especially for long-tailed liability coverages.

19. Provide a comparison of the selected trends set forth in Exhibit 8 of the filing compared to those consistent with the actuarial reserve report for 12/31/2022.

Trending serves different purposes for each of these sources. Whereas the purpose of trending in the actuarial report is to bring 12 years of historical losses to current levels (retrospective trending), the purpose of the selected trends in Exhibit 8 and used in the rate indication template is to estimate the rate level necessary to cover losses in the future accident period, using recent data as required by Prop 103 (prospective trending).

For the actuarial report, trending is applied to twelve years of historical data (2010-2021), to bring them level with loss levels at mid-2022. This retrospective trending period covers 11 years in which pure premium trend was extremely benign, and only 1 year in which loss trend was impacted by the drastic rise in severity seen since 2021. Given the comparative weight of pre-2021 and 2021 experience, the trends used in the actuarial report are appropriate.

For ratemaking, Proposition 103 requires us to derive trends from at least 2 years of the most recent data (2021 and 2022). In this context, the Respondent needs to be responsive to the current macroeconomic reality of increased loss costs, that many publications believe will continue through the prospective exposure period. For all coverages except UIMBI and Maintenance, full credibility is achieved with a single year of data; as a result no retrospective trending was applied in the rate indications, except to these two coverages (which combined make up less than 3% of total premium). Besides being disallowed by Proposition 103, the use of a very long-term trend (like the one used for the reserve review) is actuarially unsound for projecting experience for ratemaking.

Therefore, the selected trends set forth in Exhibit 8 are not directly comparable to the trends in the actuarial reserve report for 12/31/2022 because they measure two different phenomena.

20. With regard to Exhibit 09 – Catastrophe Adjustment, provide an explanation of the procedures used to determine the amount of Catastrophe Net Paid Loss & DCCE and

Catastrophe Case Reserves.

Response: Catastrophe Net Paid Loss & DCCE and Catastrophe Case Reserves are aggregations of those respective data elements, as of the filing evaluation date, for losses which have been flagged as resulting from a PCS-designated catastrophe. PCS defines a catastrophe as an event causing $25 million or more in losses and affecting a significant number of insurers and policyholders.

21. Exhibit 11 – Ancillary Income states "Because there has been a [sic] increasing trend in these amounts over time, using the actual charges for prior years would understate the amounts for ratemaking purposes." Provide a complete explanation of the reasons for the increase in these amounts other time, including the amount of Income by category by year. Also explain why the Income is expected to stay at the high level observed in the latest year.

Response: Exhibit 11 - Ancillary Income reflects charges for customers submitting payments with Insufficient Funds (NSF). Historically, new business customers make payment with insufficient funds at a greater rate than renewal customers. The 35% increase in NSF charges from 2022 to 2023 are the result of a 64% increase in new business from Q1 2022 to Q1 2023. Charges resulting from NSF were lower in 2020 due to the payment forgiveness plan initiative by Respondent during the Covid-19 pandemic. As competitors continue to take aggressive underwriting action, Respondent does not anticipate a material reduction in new business or policies in force and expects the NSF rate to stay at the current level. It should be noted that while the impact is not material, the use of the higher current value, as the Respondent has done, lowers the indication when compared to using a multi-year average.

Note: While preparing a response to Question 21, a data error was discovered in Exhibit 11 – Ancillary Income. Corrected exhibits and indications will be filed by 5/8/2023. The impact of this error is immaterial to the 2023Q1 indication that is currently filed. The table below reflects the corrected data.

CSAA IE Ancillary Income			
	2021Q1	**2022Q1**	**2023Q1**
WP	2,107,932,324	2,138,115,583	2,323,428,455
EP	2,113,814,685	2,115,282,019	2,210,724,589
NSF	100,980	127,640	172,660

22. CDI had objections related to the difference between incurred and paid development, as well as the closing rate of claims. Provide a complete explanation of how these issues were examined and handled in the actuarial reserve report for 12/31/2022.

Response: The Actuarial report noted the shift in claim closure rates in the excerpt provided in response to Question 17. The loss development methodologies described in Question 16 were utilized to select the ultimate loss figure. The weights on the methods are selected by the appointed actuary based on their actuarial judgment and review of the company's data.

23. The rate application (Page 7, Line 11) showed a net income of $522 million for 2021, which is about 25% of premium. Explain how those large profits are consistent with the large rate increase being requested.

Proposition 103 does not permit Respondent to consider 2021 in setting future rates for a company of our size, since 2022 data is fully credible. Additionally, Proposition 103 does not permit or require carriers to true up gains and losses.

Further, 2021 can be considered a "reverse catastrophe" driven by a rare phenomenon that Respondent does not expect to recur during the exposure period where these rates will be effective. Much like traditional catastrophes (i.e. the North Bay fire from 2017 and the Camp fire from 2018 for Homeowners), which result in significant losses for the Respondent, these are not directly priced into insurance premiums, nor do policyholders reimburse carriers to cover losses. Instead, Respondent leverages these rare occurrences to inform the ratemaking process.

24. Provide an update of the rate application pages 6 and 7 covering 2022.

Response: Please see the document "Rate Application – Updated Pages 6-7.xlsm".

EXHIBIT E

In the Matter of the Rate Application of CSAA Insurance Exchange

CDI File No. 23-385, Prior Approval File No. PA-2023-00004

Consumer Watchdog's Second Set of Requests for Information

Consumer Watchdog ("CWD") requests the following information from CSAA Insurance Exchange (hereinafter, "CSAA" or "Applicant"):

1. The rate filing calculations are based on a proposed effective date of 1/1/2024. The effective date determines the trend period, which impacts trend factors and the indicated rate change. Is there agreement that the rates from this filing will not go into effect before 1/1/2024? If not, what would be an appropriate date for the effective date that all the parties can use?

2. The response to CWD Request No. 23 stated, "2021 can be considered a 'reverse catastrophe'". Please explain what is meant by reverse catastrophe.

3. The response to CWD Request No. 23 stated, "Instead, Respondent leverages these rare occurrences to inform the ratemaking process." Please explain how the Respondent leveraged these rare occurrences to inform the ratemaking process.

4. The response to CWD Request No. 24 provided an Excel file "Rate Application – Updated Pages 6-7.xlsm". The expense values shown on Page 7 for Lines (18), (19), and (21) are much higher, by several hundred percent, than the corresponding items in the rate application. Provide an explanation for that difference.

5. The 2023Q1 Financial Statement for CSAA provides in Part 1 – Loss Experience (Page 13) incurred losses and direct loss percentage for the current and prior year to date. Provide the paid values corresponding to the incurred values.

6. In response to CWD Request No. 19, CSAA responded, "Therefore, the selected trends set forth in Exhibit 8 are not directly comparable to the trends in the actuarial reserve report for 12/31/2022 because they measure two different phenomena." While that may be CSAA's position, that was not responsive to the request. Please provide the text and exhibits from the actuarial report for 12/31/2022 that deal in any manner with trends for California private passenger automobile insurance.

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 May 16, 2023, I caused service of true and correct copies of the document entitled

CONSUMER WATCHDOG'S SECOND SET OF REQUESTS FOR INFORMATION

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 May 16, 2023 at Los Angeles, California.

Kaitlyn Gentile

Service List

Lisbeth Landsman-Smith Melissa Wurster Sara Ahn Rate Enforcement Bureau **California Department of Insurance** 1901 Harrison Street, 4th Floor Oakland, CA 94612 Tel. (415) 538-4500 Fax (510) 238-7830 Lisbeth.Landsman@insurance.ca.gov Melissa.Wurster@insurance.ca.gov Sara.Ahn@insurance.ca.gov	☐ FAX ☐ U.S. MAIL ☐ OVERNIGHT MAIL ☐ HAND DELIVERED ☒ EMAIL
Katherine Evans Vice President, Regulatory & Government Affairs **CSAA Insurance Group** 3055 Oak Road, MS W560 Walnut Creek, CA 94597-2098 Tel. (925) 279-4152 katherine.evans@csaa.com	☐ FAX ☐ U.S. MAIL ☐ OVERNIGHT MAIL ☐ HAND DELIVERED ☒ EMAIL
Bob Hoffman **Dentons US LLP** 1999 Harrison St., Ste. 1300 Oakland, CA 94612-4709 Phone: 415-882-5000 Fax: 415-882-0300 robert.hoffman@dentons.com	☐ FAX ☐ U.S. MAIL ☐ OVERNIGHT MAIL ☐ HAND DELIVERED ☒ EMAIL

EXHIBIT F

In the Matter of the Rate Application of CSAA Insurance Exchange
CDI File No. 23-385, Prior Approval File No. PA-2023-00004

CSAA Insurance Exchange's Response to Consumer Watchdog's Second Set of Requests for Information

1. The rate filing calculations are based on a proposed effective date of 1/1/2024. The effective date determines the trend period, which impacts trend factors and the indicated rate change. Is there agreement that the rates from this filing will not go into effect before 1/1/2024? If not, what would be an appropriate date for the effective date that all the parties can use?

   Answer: Respondent will implement the approved rate as soon as possible; there is no agreement that rates approved in this filing will not go into effect before 1/1/2024. In anticipation of reaching a settlement at the May 23, 2023 joint meeting, Respondent proposes a 9/1/2023 effective date for this filing, contingent on approval on or before 5/31/2023.

2. The response to CWD Request No. 23 stated, "2021 can be considered a 'reverse catastrophe'". Please explain what is meant by reverse catastrophe.

   Answer: Catastrophes are rare events that lead to calendar year losses for insurance companies often caused by phenomena that doesn't occur on a regular basis. Insurance companies absorb these losses through their existing capital. Since pricing is prospective, insurance companies do not recoup past losses, but try to set the rates appropriate for the exposure period.

   We refer to 2021 as a reverse catastrophe because an even more rare phenomenon (a once in a century pandemic) led to fewer losses than expected. This helped Respondent temporarily strengthen its capital. As a reciprocal insurance exchange, not a publicly traded company, Respondent exists to serve its policyholder members. Any temporary benefit to Respondent's capital position does not inure to shareholders, it only benefits its policyholder members and allows Respondent to continue to serve California consumers.

   Since pricing is prospective, we do not expect another pandemic to occur in the experience period, and accordingly we have not priced for it.

3. The response to CWD Request No. 23 stated, "Instead, Respondent leverages these rare occurrences to inform the ratemaking process." Please explain how the Respondent leveraged these rare occurrences to inform the ratemaking process.

   Answer: In this rate filing, Respondent is not expecting frequency to return to higher levels experienced before the pandemic during the exposure period. Our frequency trend selections all hover around 0% with some coverages being slightly higher and others slightly negative.

4. The response to CWD Request No. 24 provided an Excel file “Rate Application – Updated Pages 6-7.xlsm”. The expense values shown on Page 7 for Lines (18), (19), and (21) are much higher, by several hundred percent, than the corresponding items in the rate application. Provide an explanation for that difference.

   Answer: On reviewing this, we discovered that the values for these fields in the initial rate application were inadvertently based on Homeowners Multiperil data for CSAA IE, rather than Private Passenger Auto data. The file submitted in response to CWD Request No. 24 included the correct information from the annual statement and Insurance Expense Exhibit for this line of business. The incorrect data on the application has no impact on the rate indication. CSAA regrets the error.

5. The 2023Q1 Financial Statement for CSAA provides in Part 1 – Loss Experience (Page 13) incurred losses and direct loss percentage for the current and prior year to date. Provide the paid values corresponding to the incurred values.

   Answer: The paid values corresponding to the incurred values are:

PP Auto Liability	162,327,776
PP Auto Physical Damage	243,471,703

6. In response to CWD Request No. 19, CSAA responded, “Therefore, the selected trends set forth in Exhibit 8 are not directly comparable to the trends in the actuarial reserve report for 12/31/2022 because they measure two different phenomena.” While that may be CSAA’s position, that was not responsive to the request. Please provide the text and exhibits from the actuarial report for 12/31/2022 that deal in any manner with trends for California private passenger automobile insurance.

   Answer: For CSAA Insurance Exchange Personal Auto Liability, a 4% annual trend was used to trend historical losses to 2022 levels, in order to select an *a priori* estimate for the Bornhuetter-Ferguson methods. For CSAA Insurance Exchange Personal Auto Physical Damage, a 5% annual trend was used.

   The exhibits from the Actuarial Report where these trends are applied are reproduced below.

CSAA Insurance Exchange
Personal Auto Liability
As of December 31, 2022

Expected Loss per Exposure
Direct

Accident Year	Exposures (1)	Paid Loss (2)	Incurred Loss (3)	Paid CLDF (4)	Incurred CLDF (5)	Paid Burned Exposures (6)	Incurred Burned Exposures (7)	4.00% LPE Trend 2022 (8)	Trended Paid Loss (9)	Trended Incurred Loss (10)	Paid Trended Loss per Exposure (11)	Incurred Trended Loss per Exposure (12)	Selected Loss per Exposure (13)
2010	1,689,460	423,444	423,474	1.000	1.000	1,689,460	1,689,460	1.601	677,947	677,995	401	401	237
2011	1,693,732	407,959	408,057	1.000	1.000	1,693,010	1,693,332	1.539	628,034	628,185	371	371	247
2012	1,693,116	432,457	432,457	1.001	1.000	1,691,672	1,692,716	1.480	640,142	640,142	378	378	257
2013	1,700,624	435,149	435,288	1.001	1.000	1,698,450	1,699,949	1.423	619,353	619,550	365	364	267
2014	1,738,411	467,918	468,398	1.002	1.000	1,735,447	1,737,721	1.369	640,379	641,035	369	369	278
2015	1,799,496	537,279	538,480	1.003	1.000	1,794,719	1,798,782	1.316	707,023	708,603	394	394	289
2016	1,884,401	573,621	576,300	1.005	1.000	1,874,458	1,883,653	1.265	725,813	729,203	387	387	300
2017	1,928,756	613,155	621,856	1.010	1.001	1,910,495	1,927,675	1.217	745,996	756,583	390	392	312
2018	1,949,696	617,196	635,590	1.024	1.001	1,904,672	1,946,919	1.170	722,032	743,550	379	382	325
2019	1,947,764	623,993	672,825	1.062	1.005	1,833,673	1,938,224	1.125	701,907	756,836	383	390	338
2020	1,939,633	394,059	460,126	1.148	1.024	1,689,973	1,893,290	1.082	426,214	497,672	252	263	351
2021	1,916,177	391,607	515,809	1.417	1.094	1,352,490	1,752,189	1.040	407,271	536,442	301	306	365
2022	1,899,975	255,182	473,793	2.638	1.422	720,159	1,336,393	1.000	255,182	473,793	354	355	380
Total	23,781,242	6,173,019	6,662,452			21,588,679	22,990,304		7,897,294	8,409,590			
Avg x 2020-2021													
10						16,856,755	17,655,366		6,385,862	6,697,480	379	379	
9						15,163,745	15,962,034		5,757,827	6,069,296	380	380	
8						13,472,073	14,269,318		5,117,685	5,429,154	380	380	
7						11,773,623	12,569,368		4,498,333	4,809,604	382	383	
6						10,038,176	10,831,648		3,857,954	4,168,568	384	385	
5						8,243,457	9,032,865		3,150,931	3,459,965	382	383	
4						6,368,999	7,149,212		2,425,118	2,730,762	381	382	
3						4,458,504	5,221,537		1,679,122	1,974,179	377	378	
											Selected	380	

CSAA Insurance Exchange
Personal Auto Physical Damage
As of December 31, 2022

Expected Loss per Exposure
Direct

Accident Year	Exposures (1)	Paid Loss (2)	Incurred Loss (3)	Paid CLDF (4)	Incurred CLDF (5)	Paid Burned Exposures (6)	Incurred Burned Exposures (7)	5.00% LPE Trend 2022 (8)	Trended Paid Loss (9)	Trended Incurred Loss (10)	Paid Trended Loss per Exposure (11)	Incurred Trended Loss per Exposure (12)	Selected Loss per Exposure (13)
2010	1,324,400	468,094	468,095	1.000	1.000	1,324,400	1,324,400	1.796	840,630	840,631	635	635	354
2011	1,318,884	482,911	482,911	1.000	1.000	1,318,884	1,318,884	1.710	825,942	825,942	626	626	371
2012	1,318,071	506,875	506,874	1.000	1.000	1,318,071	1,318,071	1.629	825,647	825,644	626	626	390
2013	1,328,937	524,135	524,110	1.000	1.000	1,328,937	1,328,937	1.551	813,106	813,067	612	612	409
2014	1,366,832	576,751	576,733	1.000	1.000	1,366,832	1,366,832	1.477	852,123	852,098	623	623	430
2015	1,420,763	666,799	666,798	1.000	1.000	1,420,763	1,420,763	1.407	938,253	938,252	660	660	451
2016	1,493,987	701,707	701,710	1.000	1.000	1,493,987	1,493,987	1.340	940,354	940,359	629	629	474
2017	1,528,316	752,440	752,450	1.000	1.000	1,528,316	1,528,316	1.276	960,326	960,339	628	628	498
2018	1,540,911	779,647	779,656	1.000	1.000	1,540,911	1,540,911	1.216	947,665	947,677	615	615	522
2019	1,535,946	840,756	840,764	1.000	1.000	1,535,946	1,535,946	1.158	973,280	973,289	634	634	549
2020	1,529,353	632,522	632,629	1.001	1.001	1,528,301	1,528,459	1.103	697,356	697,474	456	456	576
2021	1,522,542	853,451	854,352	1.003	1.002	1,518,488	1,519,472	1.050	896,123	897,070	590	590	605
2022	1,534,677	858,249	971,845	1.157	1.043	1,326,325	1,470,761	1.000	858,249	971,845	647	661	635
Total	18,763,619	8,644,337	8,758,929			18,550,161	18,695,740		11,369,054	11,483,686			
Avg x 2020-2021													
10						14,178,973	14,323,409		8,934,945	9,048,511	630	632	
9						12,860,089	13,004,525		8,109,003	8,222,569	631	632	
8						11,542,018	11,686,454		7,283,357	7,396,925	631	633	
7						10,213,080	10,357,516		6,470,251	6,583,859	634	636	
6						8,846,248	8,990,684		5,618,127	5,731,761	635	638	
5						7,425,485	7,569,921		4,679,874	4,793,508	630	633	
4						5,931,498	6,075,934		3,739,520	3,853,149	630	634	
3						4,403,182	4,547,618		2,779,194	2,892,811	631	636	
											Selected	635	

EXHIBIT G

Subject:	Re: Rate Application of CSAA Insurance Exchange - File No. PA-2023-00010 - RRB App. No. 23-939
Date:	Tuesday, June 20, 2023 at 3:33:59 PM Pacific Daylight Time
From:	Danny Sternberg
To:	Evans, Katie, Lisbeth Landsman-Smith, Pam Pressley, Wehmueller, Lynne, Ryan Mellino, Ken Allen, Wurster, Melissa, Ahn, Sara, Kaitlyn Gentile, Ye, Sarah, Allan Schwartz, Gammell, Adam, Nguyen, Khanh, Li, David, Hoffman, Robert W., Zukerman, Mike, Ben Armstrong
Attachments:	image001.png, CSAA Indication for CWD 2023 6 20 DRAFT[84].pdf

All,

In advance of the 3-way meeting, and in the interest of timing, attached is Consumer Watchdog's rate templates. These differ from the filing in selected trends, which we'll be prepared to fully discuss on Friday. Thank you.

Best,
Danny

Daniel L. Sternberg | Staff Attorney
Consumer Watchdog
6330 San Vicente Blvd., Suite #250
Los Angeles, CA 90048
Tel: 310-392-0708 | Fax: 310-392-8874

Consumer Watchdog

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	363,931,353	326,755,514	468,124,743	-10.2%	28.6%
Property Damage	554,262,764	384,360,019	550,651,564	-30.7%	-0.7%
Medical Payments	45,625,548	20,846,952	29,866,287	-54.3%	-34.5%
Uninsured Motorist Bodily Injury	54,038,980	37,279,751	53,408,660	-31.0%	-1.2%
Underinsured Motorist Bodily Injury	67,594,315	78,053,546	111,823,043	15.5%	65.4%
Comprehensive	322,534,061	388,798,276	487,690,841	20.5%	51.2%
Collision	963,705,650	773,486,134	970,225,760	-19.7%	0.7%
Maintenance	99,888	110,686	138,840	10.8%	39.0%
Combined	**2,371,792,560**	**2,009,690,877**	**2,671,929,737**	**-15.3%**	**12.7%**

Combined Total Earned Exposures for Latest Year: 1,907,255

Coverage/Form/Program	Average Earned Premium $ per Exposure				Latest Year Earned Exposures
	Latest Year Adjusted	Minimum Permitted	Maximum Permitted	Proposed	
Bodily Injury	190.81	171.32	245.44	227.07	1,907,255
Property Damage	290.62	201.54	288.73	302.25	1,907,149
Medical Payments	45.57	20.82	29.83	34.17	1,001,300
Uninsured Motorist Bodily Injury	28.49	19.66	28.16	22.79	1,896,574
Underinsured Motorist Bodily Injury	39.87	45.60	65.33	47.85	1,695,282
Comprehensive	208.50	251.33	315.26	354.44	1,546,959
Collision	665.87	534.43	670.37	865.63	1,447,298
Maintenance	71.63	79.85	100.16	114.61	1,395
Combined	**1,243.56**	**1,053.71**	**1,400.93**	**1,556.88**	**1,907,255**

Coverage/Form/Program	Latest Year Adjusted Annual Premium ($)	Latest Year Projected Ultimate Loss & DCCE ($)	Latest Year Projected Ultimate Loss & DCCE Ratio
Bodily Injury	363,931,353	301,339,088	82.8%
Property Damage	554,262,764	354,473,449	64.0%
Medical Payments	45,625,548	19,227,209	42.1%
Uninsured Motorist Bodily Injury	54,038,980	34,380,962	63.6%
Underinsured Motorist Bodily Injury	67,594,315	63,960,819	94.6%
Comprehensive	322,534,061	312,415,853	96.9%
Collision	963,705,650	621,550,857	64.5%
Maintenance	99,888	96,350	96.5%
Combined	**2,371,792,560**	**1,707,444,589**	**72.0%**

State of California	**Company:**		**CSAA Insurance Exchange**
Department of Insurance (CDI)	**Line:**		**Auto Liability and Physical Damage**
	CDI File # (Department Use Only):		

VARIANCE 7C

RATE CHANGE CALCULATION

Completed by:	CWD
Date Completed:	6/13/2023
Prior Effective Date:	1/1/2017
Proposed Effective Date:	9/1/2023
Detailed Line Description:	Private Passenger Auto Liability
Coverage:	Bodily Injury

Data Provided by Filer	**20211**	**20221**	**20231**	**Projected**
Prem_Written			364,565,226	364,565,226
Prem_Earned			352,990,971	352,990,971
Prem_Adj			1.000	
Prem_Trend			1.019	0.8%
Misc_Fees			4,188,029	4,188,029
Exposures_Earned			1,907,255	1,907,255
Losses			154,192,778	154,192,778
DCCE			0	0
Loss_Devt			1.585	
DCCE_Devt			1.585	
Loss_Trend			1.233	9.2%
DCCE_Trend			1.233	9.2%
CAT_Adj			1.000	
Anc_Income			27,569	27,569
Credibility				100.0%
ExpRatio_Excluded				0.2%
FIT_Inv				18.6%
Yield				4.3%

CDI Parameters			
FIT_UW			21.0%
EffStd_Final	***Data as of:***	***2021***	30.3%
LevFact_Final	***Data as of:***	***2021***	0.77
PremTaxRate			2.4%
SurplusRatio			1.29
ResRatio_UPR	***Data as of:***	***2021***	0.32
ResRatio_Loss	***Data as of:***	***2021***	1.33
ROR_RiskFree	***Data as of:***	***April 2023***	4.0%
ROR_Min			-6.0%
ROR_Max			10.0%

Calculations	**20211**	**20221**	**20231**	
Prem_Adjusted			363,931,353	363,931,353
Losses_Adjusted			301,339,088	301,339,088
DCCE_Adjusted			0	0
LossDCCERatio_Adjusted			82.8%	82.8%
TCRLP_perExp			190.81	190.81
LossDCCE_perExp			158.00	158.00
CompLossDCCE_perExp			169.18	169.18
CredLoss_perExp			158.00	158.00
Anc_Inc_perExp			0.01	0.01
InvInc_Fixed				5.9%
InvInc_Variable				7.2%
Net_AnnualTrend				8.3%
Comp_Trend				37.7%
Max_Profit				16.4%
Min_Profit				-9.8%
UW_Profit				5.4%
Min_Denom				0.87
Max_Denom				0.61
Min_Premium				$171.32
Max_Premium				$245.44
CHANGE_AT_MIN				**-10.2%**
CHANGE_AT_MAX				**28.6%**

State of California	Company:	CSAA Insurance Exchange
Department of Insurance (CDI)	Line:	Auto Liability and Physical Damage
	CDI File # (Department Use Only):	

VARIANCE 7C

RATE CHANGE CALCULATION

Completed by:	CWD
Date Completed:	6/13/2023
Prior Effective Date:	1/1/2017
Proposed Effective Date:	9/1/2023
Detailed Line Description:	Private Passenger Auto Liability
Coverage:	Property Damage

Data Provided by Filer	**20211**	**20221**	**20231**	**Projected**
Prem_Written			560,987,073	560,987,073
Prem_Earned			542,648,652	542,648,652
Prem_Adj			1.000	
Prem_Trend			1.010	0.4%
Misc_Fees			6,438,205	6,438,205
Exposures_Earned			1,907,149	1,907,149
Losses			258,115,044	258,115,044
DCCE			0	0
Loss_Devt			1.185	
DCCE_Devt			1.185	
Loss_Trend			1.159	6.4%
DCCE_Trend			1.159	6.4%
CAT_Adj			1.000	
Anc_Income			42,381	42,381
Credibility				100.0%
ExpRatio_Excluded				0.2%
FIT_Inv				18.6%
Yield				4.3%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final		***Data as of:***	***2021***	30.3%
LevFact_Final		***Data as of:***	***2021***	0.77
PremTaxRate				2.4%
SurplusRatio				1.29
ResRatio_UPR		***Data as of:***	***2021***	0.32
ResRatio_Loss		***Data as of:***	***2021***	1.33
ROR_RiskFree		***Data as of:***	***April 2023***	4.0%
ROR_Min				-6.0%
ROR_Max				10.0%

Calculations	**20211**	**20221**	**20231**	
Prem_Adjusted			554,262,764	554,262,764
Losses_Adjusted			354,473,449	354,473,449
DCCE_Adjusted			0	0
LossDCCERatio_Adjusted			64.0%	64.0%
TCRLP_perExp			290.62	290.62
LossDCCE_perExp			185.87	185.87
CompLossDCCE_perExp			235.97	235.97
CredLoss_perExp			185.87	185.87
Anc_Inc_perExp			0.02	0.02
InvInc_Fixed				5.9%
InvInc_Variable				7.2%
Net_AnnualTrend				6.0%
Comp_Trend				26.1%
Max_Profit				16.4%
Min_Profit				-9.8%
UW_Profit				5.4%
Min_Denom				0.87
Max_Denom				0.61
Min_Premium				$201.54
Max_Premium				$288.73
CHANGE_AT_MIN				**-30.7%**
CHANGE_AT_MAX				**-0.7%**

State of California	**Company:**	**CSAA Insurance Exchange**
Department of Insurance (CDI)	**Line:**	**Auto Liability and Physical Damage**
	CDI File # (Department Use Only):	

VARIANCE 7C

RATE CHANGE CALCULATION

Completed by:	CWD
Date Completed:	6/13/2023
Prior Effective Date:	1/1/2017
Proposed Effective Date:	9/1/2023
Detailed Line Description:	Private Passenger Auto Liability
Coverage:	Medical Payments

Data Provided by Filer	**20211**	**20221**	**20231**	**Projected**
Prem_Written			45,468,484	45,468,484
Prem_Earned			44,461,049	44,461,049
Prem_Adj			1.000	
Prem_Trend			1.014	0.6%
Misc_Fees			527,504	527,504
Exposures_Earned			1,001,300	1,001,300
Losses			23,402,329	23,402,329
DCCE			0	0
Loss_Devt			0.762	
DCCE_Devt			0.762	
Loss_Trend			1.078	3.2%
DCCE_Trend			1.078	3.2%
CAT_Adj			1.000	
Anc_Income			3,472	3,472
Credibility				100.0%
ExpRatio_Excluded				0.2%
FIT_Inv				18.6%
Yield				4.3%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final		***Data as of:***	***2021***	30.3%
LevFact_Final		***Data as of:***	***2021***	0.77
PremTaxRate				2.4%
SurplusRatio				1.29
ResRatio_UPR		***Data as of:***	***2021***	0.32
ResRatio_Loss		***Data as of:***	***2021***	1.33
ROR_RiskFree		***Data as of:***	***April 2023***	4.0%
ROR_Min				-6.0%
ROR_Max				10.0%

Calculations	**20211**	**20221**	**20231**	
Prem_Adjusted			45,625,548	45,625,548
Losses_Adjusted			19,227,209	19,227,209
DCCE_Adjusted			0	0
LossDCCERatio_Adjusted			42.1%	42.1%
TCRLP_perExp			45.57	45.57
LossDCCE_perExp			19.20	19.20
CompLossDCCE_perExp			32.48	32.48
CredLoss_perExp			19.20	19.20
Anc_Inc_perExp			0.00	0.00
InvInc_Fixed				5.9%
InvInc_Variable				7.2%
Net_AnnualTrend				2.6%
Comp_Trend				10.7%
Max_Profit				16.4%
Min_Profit				-9.8%
UW_Profit				5.4%
Min_Denom				0.87
Max_Denom				0.61
Min_Premium				$20.82
Max_Premium				$29.83
CHANGE_AT_MIN				**-54.3%**
CHANGE_AT_MAX				**-34.5%**

State of California	**Company:**	**CSAA Insurance Exchange**
Department of Insurance (CDI)	**Line:**	**Auto Liability and Physical Damage**
	CDI File # (Department Use Only):	

VARIANCE 7C

RATE CHANGE CALCULATION

Completed by:	CWD
Date Completed:	6/13/2023
Prior Effective Date:	1/1/2017
Proposed Effective Date:	9/1/2023
Detailed Line Description:	Private Passenger Auto Liability
Coverage:	Uninsured Motorist Bodily Injury

Data Provided by Filer	**20211**	**20221**	**20231**	**Projected**
Prem_Written			54,479,795	54,479,795
Prem_Earned			52,170,824	52,170,824
Prem_Adj			1.000	
Prem_Trend			1.024	1.0%
Misc_Fees			618,976	618,976
Exposures_Earned			1,896,574	1,896,574
Losses			23,237,422	23,237,422
DCCE			0	0
Loss_Devt			1.345	
DCCE_Devt			1.345	
Loss_Trend			1.100	4.1%
DCCE_Trend			1.100	4.1%
CAT_Adj			1.000	
Anc_Income			4,075	4,075
Credibility				100.0%
ExpRatio_Excluded				0.2%
FIT_Inv				18.6%
Yield				4.3%

CDI Parameters			
FIT_UW			21.0%
EffStd_Final	***Data as of:***	***2021***	30.3%
LevFact_Final	***Data as of:***	***2021***	0.77
PremTaxRate			2.4%
SurplusRatio			1.29
ResRatio_UPR	***Data as of:***	***2021***	0.32
ResRatio_Loss	***Data as of:***	***2021***	1.33
ROR_RiskFree	***Data as of:***	***April 2023***	4.0%
ROR_Min			-6.0%
ROR_Max			10.0%

Calculations	**20211**	**20221**	**20231**	
Prem_Adjusted			54,038,980	54,038,980
Losses_Adjusted			34,380,962	34,380,962
DCCE_Adjusted			0	0
LossDCCERatio_Adjusted			63.6%	63.6%
TCRLP_perExp			28.49	28.49
LossDCCE_perExp			18.13	18.13
CompLossDCCE_perExp			20.70	20.70
CredLoss_perExp			18.13	18.13
Anc_Inc_perExp			0.00	0.00
InvInc_Fixed				5.9%
InvInc_Variable				7.2%
Net_AnnualTrend				3.1%
Comp_Trend				12.9%
Max_Profit				16.4%
Min_Profit				-9.8%
UW_Profit				5.4%
Min_Denom				0.87
Max_Denom				0.61
Min_Premium				$19.66
Max_Premium				$28.16
CHANGE_AT_MIN				**-31.0%**
CHANGE_AT_MAX				**-1.2%**

State of California	Company:	CSAA Insurance Exchange
Department of Insurance (CDI)	Line:	Auto Liability and Physical Damage
	CDI File # (Department Use Only):	

VARIANCE 7C

RATE CHANGE CALCULATION

Completed by:	CWD
Date Completed:	6/13/2023
Prior Effective Date:	1/1/2017
Proposed Effective Date:	9/1/2023
Detailed Line Description:	Private Passenger Auto Liability
Coverage:	Underinsured Motorist Bodily Injury

Data Provided by Filer	20211	20221	20231	Projected
Prem_Written		64,708,555	68,853,492	133,562,047
Prem_Earned		64,778,766	66,333,113	131,111,880
Prem_Adj		1.000	1.000	
Prem_Trend		1.010	1.007	0.3%
Misc_Fees		768,562	787,003	1,555,565
Exposures_Earned		1,692,689	1,695,282	3,387,970
Losses		37,379,377	16,135,268	53,514,645
DCCE		0	0	0
Loss_Devt		1.556	3.208	
DCCE_Devt		1.556	3.208	
Loss_Trend		1.350	1.235	9.3%
DCCE_Trend		1.350	1.235	9.3%
CAT_Adj		1.000	1.000	
Anc_Income		5,059	5,181	10,240
Credibility				100.0%
ExpRatio_Excluded				0.2%
FIT_Inv				18.6%
Yield				4.3%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final		***Data as of:***	***2021***	30.3%
LevFact_Final		***Data as of:***	***2021***	0.77
PremTaxRate				2.4%
SurplusRatio				1.29
ResRatio_UPR		***Data as of:***	***2021***	0.32
ResRatio_Loss		***Data as of:***	***2021***	1.33
ROR_RiskFree		***Data as of:***	***April 2023***	4.0%
ROR_Min				-6.0%
ROR_Max				10.0%

Calculations	20211	20221	20231	
Prem_Adjusted		66,206,141	67,594,315	133,800,456
Losses_Adjusted		78,522,342	63,960,819	142,483,161
DCCE_Adjusted		0	0	0
LossDCCERatio_Adjusted		118.6%	94.6%	106.5%
TCRLP_perExp		39.11	39.87	39.49
LossDCCE_perExp		46.39	37.73	42.06
CompLossDCCE_perExp		35.50	36.19	35.85
CredLoss_perExp		46.39	37.73	42.06
Anc_Inc_perExp		0.00	0.00	0.00
InvInc_Fixed				5.9%
InvInc_Variable				7.2%
Net_AnnualTrend				9.0%
Comp_Trend				41.0%
Max_Profit				16.4%
Min_Profit				-9.8%
UW_Profit				5.4%
Min_Denom				0.87
Max_Denom				0.61
Min_Premium				$45.60
Max_Premium				$65.33
CHANGE_AT_MIN				**15.5%**
CHANGE_AT_MAX				**65.4%**

State of California	**Company:**	**CSAA Insurance Exchange**
Department of Insurance (CDI)	**Line:**	**Auto Liability and Physical Damage**
	CDI File # (Department Use Only):	

VARIANCE 7C

RATE CHANGE CALCULATION

Completed by:	CWD
Date Completed:	6/13/2023
Prior Effective Date:	1/1/2017
Proposed Effective Date:	9/1/2023
Detailed Line Description:	Private Passenger Auto Physical Damage
Coverage:	Comprehensive

Data Provided by Filer	**20211**	**20221**	**20231**	**Projected**
Prem_Written			308,988,934	308,988,934
Prem_Earned			291,329,562	291,329,562
Prem_Adj			1.000	
Prem_Trend			1.095	3.9%
Misc_Fees			3,456,453	3,456,453
Exposures_Earned			1,546,959	1,546,959
Losses			242,195,498	242,195,498
DCCE			0	0
Loss_Devt			1.014	
DCCE_Devt			1.014	
Loss_Trend			1.227	9.0%
DCCE_Trend			1.227	9.0%
CAT_Adj			1.036	
Anc_Income			22,753	22,753
Credibility				100.0%
ExpRatio_Excluded				0.2%
FIT_Inv				18.6%
Yield				4.3%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final		***Data as of:***	***2021***	31.1%
LevFact_Final		***Data as of:***	***2021***	1.25
PremTaxRate				2.4%
SurplusRatio				0.80
ResRatio_UPR		***Data as of:***	***2021***	0.33
ResRatio_Loss		***Data as of:***	***2021***	0.09
ROR_RiskFree		***Data as of:***	***April 2023***	4.0%
ROR_Min				-6.0%
ROR_Max				10.0%

Calculations	**20211**	**20221**	**20231**	
Prem_Adjusted			322,534,061	322,534,061
Losses_Adjusted			312,415,853	312,415,853
DCCE_Adjusted			0	0
LossDCCERatio_Adjusted			96.9%	96.9%
TCRLP_perExp			208.50	208.50
LossDCCE_perExp			201.95	201.95
CompLossDCCE_perExp			161.78	161.78
CredLoss_perExp			201.95	201.95
Anc_Inc_perExp			0.01	0.01
InvInc_Fixed				0.4%
InvInc_Variable				5.0%
Net_AnnualTrend				4.9%
Comp_Trend				21.1%
Max_Profit				10.2%
Min_Profit				-6.1%
UW_Profit				4.9%
Min_Denom				0.80
Max_Denom				0.64
Min_Premium				$251.33
Max_Premium				$315.26
CHANGE_AT_MIN				**20.5%**
CHANGE_AT_MAX				**51.2%**

State of California	**Company:**	**CSAA Insurance Exchange**
Department of Insurance (CDI)	**Line:**	**Auto Liability and Physical Damage**
	CDI File # (Department Use Only):	

VARIANCE 7C

RATE CHANGE CALCULATION

Completed by:	CWD
Date Completed:	6/13/2023
Prior Effective Date:	1/1/2017
Proposed Effective Date:	9/1/2023
Detailed Line Description:	Private Passenger Auto Physical Damage
Coverage:	Collision

Data Provided by Filer	**20211**	**20221**	**20231**	**Projected**
Prem_Written			919,988,366	919,988,366
Prem_Earned			860,692,852	860,692,852
Prem_Adj			1.000	
Prem_Trend			1.108	4.4%
Misc_Fees			10,211,612	10,211,612
Exposures_Earned			1,447,298	1,447,298
Losses			601,912,611	601,912,611
DCCE			0	0
Loss_Devt			0.858	
DCCE_Devt			0.858	
Loss_Trend			1.203	8.1%
DCCE_Trend			1.203	8.1%
CAT_Adj			1.000	
Anc_Income			67,221	67,221
Credibility				100.0%
ExpRatio_Excluded				0.2%
FIT_Inv				18.6%
Yield				4.3%

CDI Parameters			
FIT_UW			21.0%
EffStd_Final	***Data as of:***	***2021***	31.1%
LevFact_Final	***Data as of:***	***2021***	1.25
PremTaxRate			2.4%
SurplusRatio			0.80
ResRatio_UPR	***Data as of:***	***2021***	0.33
ResRatio_Loss	***Data as of:***	***2021***	0.09
ROR_RiskFree	***Data as of:***	***April 2023***	4.0%
ROR_Min			-6.0%
ROR_Max			10.0%

Calculations	**20211**	**20221**	**20231**	
Prem_Adjusted			963,705,650	963,705,650
Losses_Adjusted			621,550,857	621,550,857
DCCE_Adjusted			0	0
LossDCCERatio_Adjusted			64.5%	64.5%
TCRLP_perExp			665.87	665.87
LossDCCE_perExp			429.46	429.46
CompLossDCCE_perExp			490.33	490.33
CredLoss_perExp			429.46	429.46
Anc_Inc_perExp			0.05	0.05
InvInc_Fixed				0.4%
InvInc_Variable				5.0%
Net_AnnualTrend				3.5%
Comp_Trend				14.9%
Max_Profit				10.2%
Min_Profit				-6.1%
UW_Profit				4.9%
Min_Denom				0.80
Max_Denom				0.64
Min_Premium				$534.43
Max_Premium				$670.37
CHANGE_AT_MIN				**-19.7%**
CHANGE_AT_MAX				**0.7%**

State of California	**Company:**	**CSAA Insurance Exchange**
Department of Insurance (CDI)	**Line:**	**Auto Liability and Physical Damage**
	CDI File # (Department Use Only):	

VARIANCE 7C

RATE CHANGE CALCULATION

Completed by:	CWD
Date Completed:	6/13/2023
Prior Effective Date:	1/1/2017
Proposed Effective Date:	9/1/2023
Detailed Line Description:	Private Passenger Auto Physical Damage
Coverage:	Maintenance

Data Provided by Filer	**20211**	**20221**	**20231**	**Projected**
Prem_Written	104,951	99,095	97,085	301,131
Prem_Earned	106,795	101,576	97,567	305,938
Prem_Adj	1.000	1.000	1.000	
Prem_Trend	1.022	1.017	1.012	0.5%
Misc_Fees	1,267	1,205	1,158	3,630
Exposures_Earned	1,519	1,456	1,395	4,369
Losses	51,697	60,848	71,425	183,970
DCCE	0	0	0	0
Loss_Devt	0.999	0.999	1.078	
DCCE_Devt	0.999	0.999	1.078	
Loss_Trend	1.512	1.376	1.252	9.9%
DCCE_Trend	1.512	1.376	1.252	9.9%
CAT_Adj	1.000	1.000	1.000	
Anc_Income	8	8	8	24
Credibility				26.6%
ExpRatio_Excluded				0.2%
FIT_Inv				18.6%
Yield				4.3%

CDI Parameters			
FIT_UW			21.0%
EffStd_Final	***Data as of:***	***2021***	31.1%
LevFact_Final	***Data as of:***	***2021***	1.25
PremTaxRate			2.4%
SurplusRatio			0.80
ResRatio_UPR	***Data as of:***	***2021***	0.33
ResRatio_Loss	***Data as of:***	***2021***	0.09
ROR_RiskFree	***Data as of:***	***April 2023***	4.0%
ROR_Min			-6.0%
ROR_Max			10.0%

Calculations	**20211**	**20221**	**20231**	
Prem_Adjusted	110,419	104,507	99,888	314,815
Losses_Adjusted	78,103	83,648	96,350	258,101
DCCE_Adjusted	0	0	0	0
LossDCCERatio_Adjusted	70.7%	80.0%	96.5%	82.0%
TCRLP_perExp	72.71	71.78	71.63	72.06
LossDCCE_perExp	51.43	57.45	69.09	59.08
CompLossDCCE_perExp	66.61	65.76	65.62	66.01
CredLoss_perExp	62.56	63.54	66.54	64.16
Anc_Inc_perExp	0.01	0.01	0.01	0.01
InvInc_Fixed				0.4%
InvInc_Variable				5.0%
Net_AnnualTrend				9.4%
Comp_Trend				43.0%
Max_Profit				10.2%
Min_Profit				-6.1%
UW_Profit				4.9%
Min_Denom				0.80
Max_Denom				0.64
Min_Premium				$79.85
Max_Premium				$100.16
CHANGE_AT_MIN				**10.8%**
CHANGE_AT_MAX				**39.0%**

CSAA Insurance Exchange
CDI Filing Reference: 23-385
Rate Indications Comparison
Private Passenger Auto

Coverage	Bodily Injury	Property Damage	Medical Payments	Uninsured Motorist Bodily Injury	Underinsured Motorist Bodily Injury	Comprehensive	Collision	Maintenance	Overall
Premium Data Pt:									
CSAA Insurance	12 pt	12 pt	8 pt	8 pt	12 pt	20 pt	12 pt	12 pt	
CDI	8 pt	12 pt	12 pt	8 pt	12 pt	12 pt	12 pt	8 pt	
Loss Data Pt:									
CSAA Insurance	12 pt	12 pt	8 pt	8 pt	12 pt	20 pt	12 pt	12 pt	
CDI	8 pt	12 pt	12 pt	8 pt	12 pt	12 pt	12 pt	8 pt	
Prem Trend:									
CSAA Insurance	0.18%	0.17%	0.67%	0.82%	-0.39%	2.95%	2.86%	-0.42%	
CDI	1.09%	0.17%	-0.75%	0.82%	-0.39%	2.47%	2.86%	-0.23%	
CWD	0.80%	0.40%	0.60%	1.00%	0.30%	3.90%	4.40%	0.50%	
Loss Trend:									
CSAA Insurance	13.94%	9.34%	14.72%	-4.29%	5.21%	16.51%	26.91%	0.24%	
Freq Type	Reported	Closed	Closed	Closed	Closed	Reported	Closed	Reported	
Sev Type	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	
CDI	9.68%	9.34%	5.04%	-4.29%	5.21%	14.63%	16.79%	19.90%	
Freq Type	Closed	Closed	Reported	Closed	Closed	Closed	Closed	Reported	
Sev Type	Paid	Paid	Total Paid (w/Partials)	Paid	Paid	Total Paid (w/Partials)	Total Paid (w/Partials)	Total Paid (w/Partials)	
CWD	9.20%	6.40%	3.20%	4.10%	9.30%	9.00%	8.10%	9.90%	
Net Trend:									
CSAA Insurance Exchange	13.74%	9.16%	13.95%	-5.07%	5.63%	13.18%	23.38%	0.66%	
CDI	8.49%	9.16%	5.84%	-5.07%	5.63%	11.86%	13.54%	20.17%	
CWD	8.33%	5.98%	2.58%	3.07%	8.97%	4.91%	3.54%	9.35%	
Loss Devt:									
CSAA Insurance Exchange	Incurred - Loss & DCCE	Incurred - Loss & DCCE	Incurred - Loss & DCCE	Incurred - Loss & DCCE	Incurred - Loss & DCCE	Incurred - Loss & DCCE	Incurred - Loss & DCCE	Incurred - Loss & DCCE	
CDI Actuary	Avg Paid and Incurred	Avg Paid and Incurred	Avg Paid and Incurred	Avg Paid and Incurred	Avg Paid and Incurred	Avg Paid and Incurred	Avg Paid and Incurred	Avg Paid and Incurred	
CWD	Reported	Reported	Reported	Reported	Reported	Reported	Reported	Reported	
CAT Factor:									
CSAA Insurance Exchange	1.000	1.000	1.000	1.000	1.000	1.036	1.000	1.000	
CDI	1.000	1.000	1.000	1.000	1.000	1.036	1.000	1.000	
CWD	1.000	1.000	1.000	1.000	1.000	1.036	1.000	1.000	
Indication:									
CSAA Insurance Exchange Indication	**42.1%**	**5.4%**	**-17.3%**	**-18.2%**	**44.0%**	**78.3%**	**48.7%**	**94.3%**	**38.4%**
CSAA Insurance Exchange Proposed	**19.0%**	**4.0%**	**-25.0%**	**-20.0%**	**20.0%**	**70.0%**	**30.0%**	**60.0%**	**25.0%**
CDI Indication	**9.2%**	**0.6%**	**-30.4%**	**-19.4%**	**31.3%**	**65.2%**	**16.4%**	**98.7%**	**16.7%**
CWD Indication	**28.6%**	**-0.7%**	**-34.5%**	**-1.2%**	**65.4%**	**51.2%**	**0.7%**	**39.0%**	**12.6%**
Adjusted EP (000s):									
CSAA Insurance Exchange	**358,583**	**551,107**	**45,666**	**53,758**	**66,534**	**314,489**	**927,448**	**98**	**2,317,684**
CDI	**366,004**	**551,107**	**44,352**	**53,614**	**66,620**	**308,783**	**918,840**	**98**	**2,309,417**
CWD	**363,931**	**554,263**	**45,626**	**54,039**	**67,594**	**322,534**	**963,706**	**100**	**2,371,793**

PRIVILEGED & CONFIDENTIAL; FOR SETTLEMENT PURPOSES ONLY

Date: 6/21/23

Re: Review of CSAA Insurance Exchange
Private Passenger Auto Insurance Rate Filing
SERFF No.: WSUN-133545604
CDI Rate Application No.: 23-385
PA-2023-00010

Consumer Watchdog's analysis indicates a maximum rate based on an overall increase of 12.7%

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

- Premium and Loss Trends – Based on an average of (1) trend factors selected by us from those calculated on Exhibit 8 and (2) the average trend factor derived using data through 2019Q4. In many cases, our selected factors from Exhibit 8 are the same as those selected by the Applicant. The coverages where our selection differs are BI (using 8-point instead of 12-point), Comp (using 24-point Closed/Paid instead of 20-point Reported/Paid), Collision (using 16-point instead of 12-point), and Maintenance (using the selections from Comp). For Collision, our final selected Loss trend factor is fully based on data from Exhibit 8 (i.e., does not take the average of that data and the pre-2020 data); the Premium trend factor was calculated using the averages noted above.
- The Applicant had filed for Variance 7C; our analysis assumes the same.

EXHIBIT H

Subject: Rate Application of CSAA Insurance Exchange - File No. PA-2023-00010 - RRB App. No. 23-385
Date: Friday, June 23, 2023 at 3:10:02 PM Pacific Daylight Time
From: Evans, Katie
To: Lisbeth Landsman-Smith, Pam Pressley, Danny Sternberg, Wehmueller, Lynne, Ryan Mellino, Ken Allen, Wurster, Melissa, Ahn, Sara, Kaitlyn Gentile, Ye, Sarah, Allan Schwartz, Gammell, Adam, Nguyen, Khanh, Li, David, Hoffman, Robert W., Zukerman, Mike, Ben Armstrong
Attachments: image001.png, CSIE Select Auto NB penalty Exhibits 19.1, 19.2, 19.3.xlsx, Executive Summary - New Business Impact.docx, CSAA PPA 23-285 Slides 2022-06-23.pdf

Thanks so much to everyone who participated in today's call. Attached please find the slides CSAA shared during the meeting and the underlying support on new business impact. Hope everyone has a good weekend, we look forward to hearing from you next week.

Katie

From: Landsman, Lisbeth <Lisbeth.Landsman@insurance.ca.gov>
Sent: Wednesday, June 21, 2023 4:26 PM
To: Pam Pressley <pam@consumerwatchdog.org>; Danny Sternberg <danny@consumerwatchdog.org>; Evans, Katie <Katherine.Evans@csaa.com>; Wehmueller, Lynne <Lynne.Wehmueller@insurance.ca.gov>; Ryan Mellino <Ryan.m@consumerwatchdog.onmicrosoft.com>; Allen, Ken <Ken.Allen@insurance.ca.gov>; Wurster, Melissa <Melissa.Wurster@insurance.ca.gov>; Ahn, Sara <Sara.Ahn@insurance.ca.gov>; Kaitlyn Gentile <kaitlyn@consumerwatchdog.org>; Ye, Sarah <Sarah.Ye@insurance.ca.gov>; Allan Schwartz <actuary999@aol.com>; Gammell, Adam <Adam.Gammell@insurance.ca.gov>; Nguyen, Khanh <Khanh.Nguyen@insurance.ca.gov>; Li, David <David.Li@insurance.ca.gov>; Hoffman, Robert W. <robert.hoffman@dentons.com>; Zukerman, Mike <Mike.Zukerman@csaa.com>; Ben Armstrong <ben.a@consumerwatchdog.org>
Subject: [EXTERNAL] RE: Rate Application of CSAA Insurance Exchange - File No. PA-2023-00010 - RRB App. No. 23-385

External Email

Please find attached a comparison of the parties' indications.

Lisbeth Landsman-Smith
California Department of Insurance
Legal Division, Rate Enforcement Bureau
Phone: (916) 492-3561

From: Pam Pressley <pam@consumerwatchdog.org>
Sent: Wednesday, June 21, 2023 4:16 PM
To: Danny Sternberg <danny@consumerwatchdog.org>; Evans, Katie <Katherine.Evans@csaa.com>; Landsman, Lisbeth <Lisbeth.Landsman@insurance.ca.gov>; Wehmueller, Lynne <Lynne.Wehmueller@insurance.ca.gov>; Ryan Mellino <Ryan.m@consumerwatchdog.onmicrosoft.com>; Allen, Ken <Ken.Allen@insurance.ca.gov>; Wurster, Melissa <Melissa.Wurster@insurance.ca.gov>; Ahn, Sara <Sara.Ahn@insurance.ca.gov>; Kaitlyn Gentile <kaitlyn@consumerwatchdog.org>; Ye, Sarah <Sarah.Ye@insurance.ca.gov>; Allan Schwartz <actuary999@aol.com>; Gammell, Adam <Adam.Gammell@insurance.ca.gov>; Nguyen, Khanh <Khanh.Nguyen@insurance.ca.gov>; Li, David <David.Li@insurance.ca.gov>; Hoffman, Robert W. <robert.hoffman@dentons.com>; Zukerman, Mike <Mike.Zukerman@csaa.com>; Ben Armstrong <ben.a@consumerwatchdog.org>
Subject: Re: Rate Application of CSAA Insurance Exchange - File No. PA-2023-00010 - RRB App. No. 23-939

All:

Please see attached explanation of Consumer Watchdog's trend selections as used in the rate templates circulated by Danny yesterday. We look forward to discussing on our call on Friday. Thank you,

Pam

--
Pamela Pressley
Senior Staff Attorney
Consumer Watchdog
www.consumerwatchdog.org
6330 San Vicente Blvd., Suite 250
Los Angeles, CA 90048
310-392-1372
310-392-8874 fax
pam@consumerwatchdog.org

From: Danny Sternberg <danny@consumerwatchdog.org>
Date: Tuesday, June 20, 2023 at 3:33 PM
To: Evans, Katie <Katherine.Evans@csaa.com>, Lisbeth Landsman-Smith <Lisbeth.Landsman@insurance.ca.gov>, Pam Pressley <pam@consumerwatchdog.org>, Wehmueller, Lynne <Lynne.Wehmueller@insurance.ca.gov>, Ryan Mellino <Ryan.m@consumerwatchdog.onmicrosoft.com>, Ken Allen <Ken.Allen@insurance.ca.gov>, Wurster, Melissa <Melissa.Wurster@insurance.ca.gov>, Ahn, Sara <Sara.Ahn@insurance.ca.gov>, Kaitlyn Gentile <kaitlyn@consumerwatchdog.org>, Ye, Sarah <Sarah.Ye@insurance.ca.gov>, Allan Schwartz <actuary999@aol.com>, Gammell, Adam <Adam.Gammell@insurance.ca.gov>, Nguyen, Khanh <Khanh.Nguyen@insurance.ca.gov>, Li, David <David.Li@insurance.ca.gov>, Hoffman, Robert W. <robert.hoffman@dentons.com>, Zukerman, Mike <Mike.Zukerman@csaa.com>, Ben Armstrong <ben.a@consumerwatchdog.org>
Subject: Re: Rate Application of CSAA Insurance Exchange - File No. PA-2023-00010 - RRB App. No. 23-939

All,

In advance of the 3-way meeting, and in the interest of timing, attached is Consumer Watchdog's rate templates. These differ from the filing in selected trends, which we'll be prepared to fully discuss on Friday. Thank you.

Best,
Danny

Daniel L. Sternberg | Staff Attorney
Consumer Watchdog
6330 San Vicente Blvd., Suite #250
Los Angeles, CA 90048
Tel: 310-392-0708 | Fax: 310-392-8874

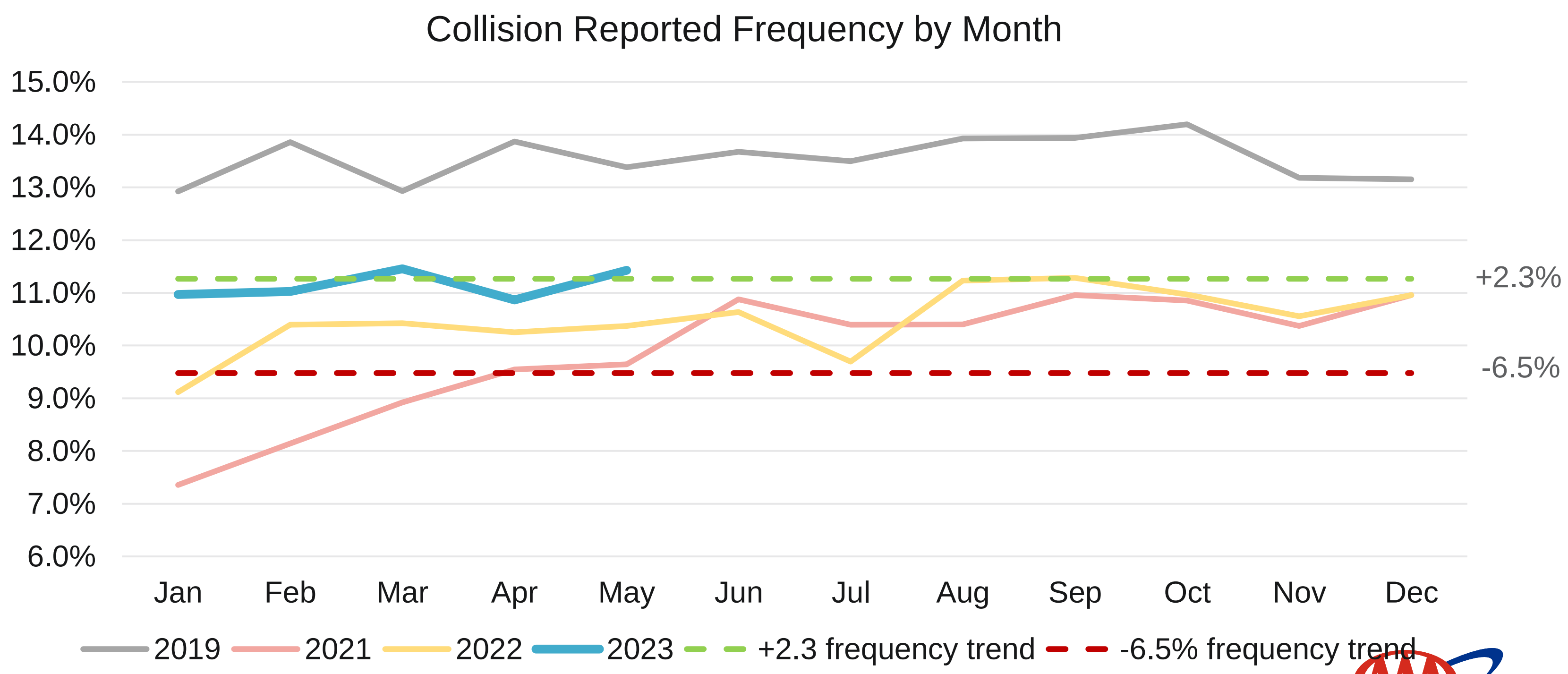
Fundamentally, we are close – 3 points worth discussion

- Incurred Loss Development
- Collision Trend Selections
- Market-Driven Growth Impact on Combined Ratio

Collision

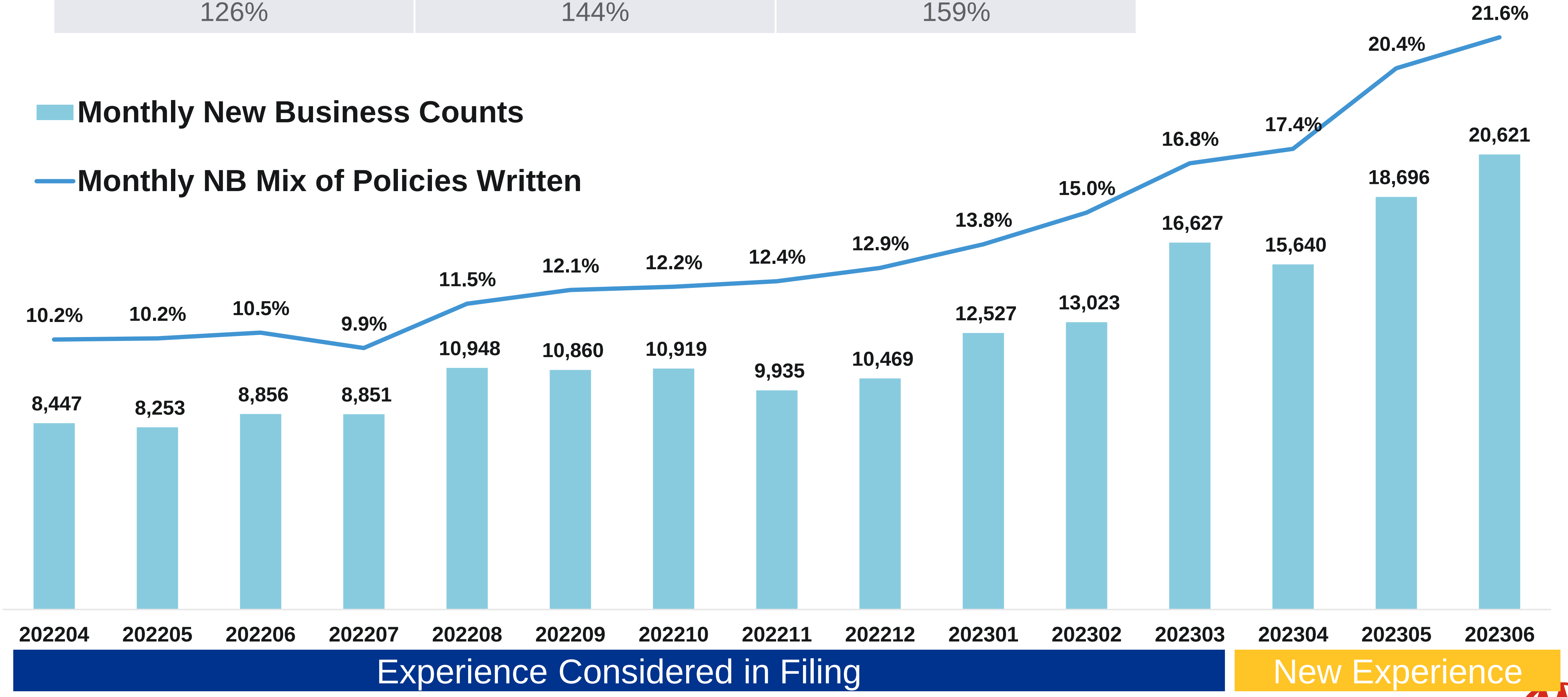
Collision Trend Component	CSAA	CDI	CWD
Frequency	2.3%	2.3%	-6.5%
Severity	24.1%	14.2%	15.6%
Pure Premium	27.0%	16.8%	8.1%

- Frequency trending slightly positive
- Recent experience provides no evidence for a further decline in frequency
- April and May 2023 (not included in filed data) are 8.1% higher than April and May 2022
    - 3.4% higher than the average for 2022Q2-2023Q1.



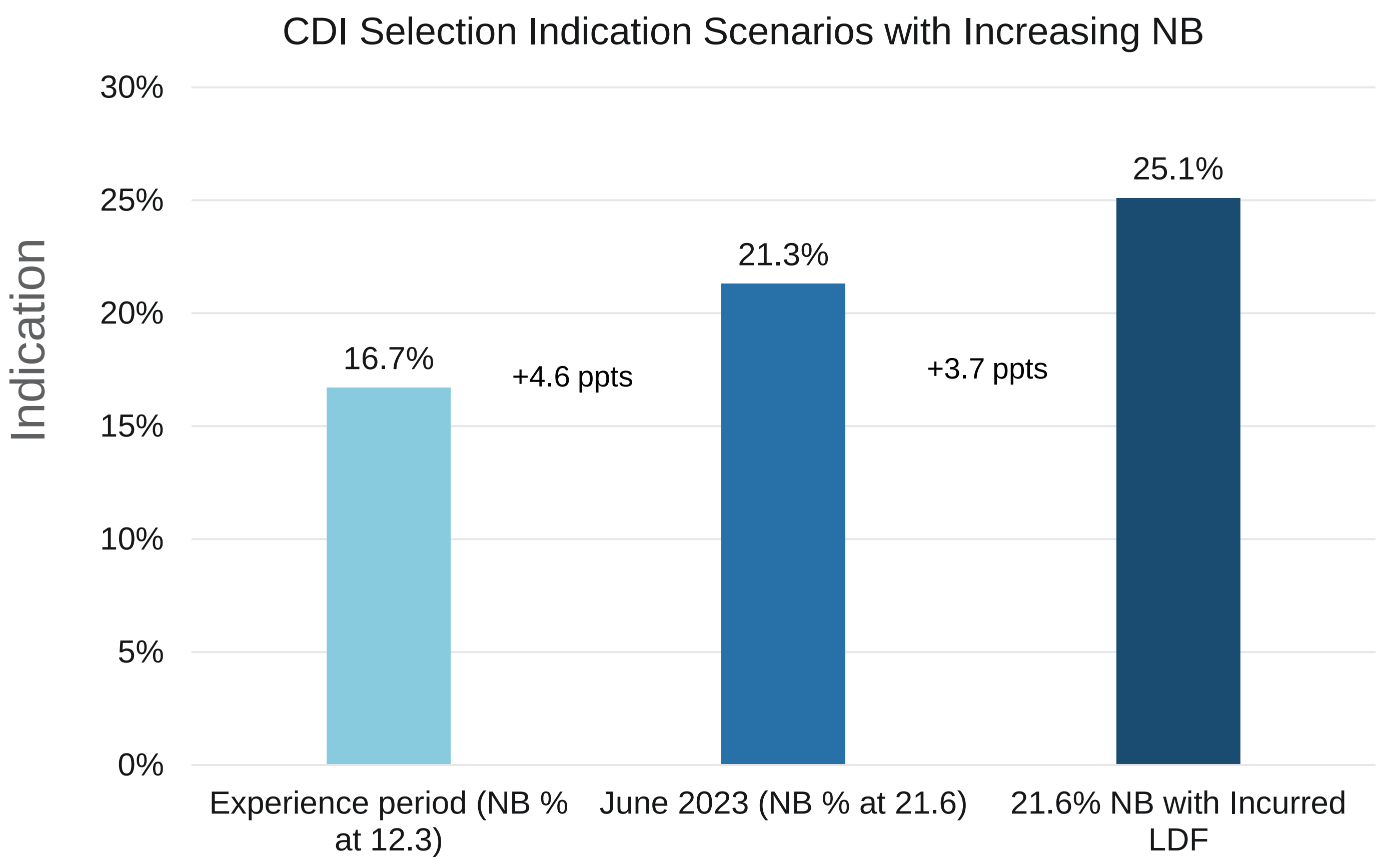
CSAA Auto New Business is Growing Rapidly while Profitability is Deteriorating

New Business Combined Ratios (Calendar Year)		
2021	2022	2023YTD
126%	144%	159%



*June 2023 reflects data through 6/21, run rated through end of month.

Rapid New Business Growth will Increase Rate Need



- NB Loss Ratio is 37 ppts worse than Renewal
  - For each ppt increase in NB as % of total – LR worsens by 0.34 ppt
- Current and projected levels of NB result in penalty of 2-4 ppts
  - This results in an indication above 20% using the CDI's selections
  - Using incurred loss development increases the indication to 25.1%

Market-driven growth must be supported by adequate rates

CSAA Insurance Exchange
Auto Liability and Physical Damage
State of California
New Business Impact Summary

CSAA Insurance Exchange's (CSIE) new business mix is rapidly growing as numerous competitors have intentionally slowed or restricted Auto new business growth. Consequently, CSIE is anticipating further deterioration in loss experience. CSIE is submitting three exhibits that demonstrate how recent new business mix shifts will impact the CSIE Auto loss ratio. Please consider this as additional support for the CSIE rate filing.

Exhibit 19.1 – Demonstrates the clear and credible difference between new business loss experience and renewal business loss experience ("New Business Penalty").

Exhibit 19.2 – Quantifies how a 1 percentage point mix shift towards New Business adversely impacts the loss ratio.

Exhibit 19.3 – Projects the annual loss ratio impact due to the mix shift towards new business. CSIE estimates loss ratio deterioration of 3.1pts, beyond what is accounted for in the filed 2023Q1 indication.

CSAA Insurance Exchange
Auto Liability and Physical Damage
State of California
Exhibit 19.2 - Translating 1 pt NB Mix Shift to Loss Ratio Impact

	AY 2021 & 2022 (from Exh. 19.1)	New Business	Renewal Business	Total
(1)	Earned Premium	357,023,837	3,931,051,668	4,288,075,505
(2)	Incurred Losses	327,465,672	2,150,751,745	2,478,217,417
(3) = (1)/(2)	Loss Ratio	91.7%	54.7%	57.79%
(4)	Earned Policies	186,166	1,835,255	2,021,421
(5) = (4)/(Total (4))	Earned Policy Mix	9.2%	90.8%	100%
(6) = (1)/(4)	Avg EP per Earned Policy	1,918	2,142	2,121
(7) = (5) adjusted 1ppt	1 ppt Policy Mix Shift	10.2%	89.8%	100.0%
(8)=(7)/(5)*(4)	Restated Earned Policies	206,380	1,815,041	2,021,421
(9) = (8)*(6)	Restated Earned Premium	395,790,117	3,887,753,546	4,283,543,663
(10) = (9)*(3)	Restated Incurred Losses	363,022,473	2,127,062,535	2,490,085,008
(11) = (10)/(9)	Loss Ratio	91.7%	54.7%	58.13%
(12) = (11) - (3)	Annual Loss Ratio Penalty per 1ppt of NB Mix Shift			**0.34%**

CSAA Insurance Exchange
Auto Liability and Physical Damage
State of California
Exhibit 19.3 - New Business Mix Shift and Corresponding Impact to Loss Ratio

Policy Effective Month (CCYYMM)	(1) Policy Count	(2) New Business Policies Written	(3) Renewal Business Policies Written	(4) = (2)/(1) NB as % of Written Policies	(5) 2023Q1 Indication Average
202204	82,853	8,447	74,406	10.2%	
202205	80,599	8,253	72,346	10.2%	
202206	84,713	8,856	75,857	10.5%	
202207	89,670	8,851	80,819	9.9%	
202208	94,821	10,948	83,873	11.5%	
202209	90,027	10,860	79,167	12.1%	
202210	89,605	10,919	78,686	12.2%	
202211	80,145	9,935	70,210	12.4%	
202212	81,154	10,469	70,685	12.9%	
202301	90,839	12,527	78,312	13.8%	
202302	86,888	13,023	73,865	15.0%	
202303	98,707	16,627	82,080	16.8%	**12.3%**
202304	89,901	15,640	74,261	17.4%	
202305	91,498	18,696	72,802	20.4%	
202306*	95,467	20,621	74,846	21.6%	

2023Q1 Experience Period

		Projection
(6)	**Projected New Business Mix**	21.6%
(7) = ((6)-(5))*100	**Mix Shift Since Indication Experience (ppts)**	9.3
(8) = Exh 19.2 item (12)	**Annual LR Impact per 1 pt of Mix Shift**	0.34%
(9) = (7)*(8)	**Projected Annual LR Impact (ppts)**	**3.1%**

Projection of New Business Mix assumes latest month's results.
*June relies on data through 6/21, run rated through end of month.

CSAA Insurance Exchange
Auto Liability and Physical Damage
State of California
Exhibit 19.1 - New Business vs Renewal Business Accident Year Loss Ratios

New Business Loss Experience by Accident Year					
	(1)	(2)	(3)	(4) = (2)/(3)	(5) = (1)/(2)
Accident Year Ending	**Incurred Loss & LAE****	**Earned Premium*****	**Earned Policy**	**Avg EP per Policy**	**Loss Ratio**
2021Q4	$ 156,065,248	$ 176,695,863	95,255	1,855	88.3%
2022Q4	$ 171,400,424	$ 180,327,975	90,911	1,984	95.0%
Total*	**$ 327,465,672**	**$ 357,023,837**	**186,166**	**1,918**	**91.7%**

Renewal Business Loss Experience by Accident Year					
	(6)	(7)	(8)	(9)=(7)/(8)	(10) = (6)/(7)
Accident Year Ending	**Incurred Loss & LAE****	**Earned Premium*****	**Earned Policy**	**Avg EP per Policy**	**Loss Ratio**
2021Q4	$ 998,449,830	$ 1,937,263,182	918,980	2,108	51.5%
2022Q4	$ 1,152,301,915	$ 1,993,788,486	916,276	2,176	57.8%
Total*	**$ 2,150,751,745**	**$ 3,931,051,668**	**1,835,255**	**2,142**	**54.7%**

New Business Loss Ratio Difference to Renewal Business (ppts)
(Based on 2 AY history)
0.37

Notes:
*Accident Years 2021 and 2022 were selected to maximize NB data volume while avoiding the most distorted Covid year (2020).
**Incurred Loss & LAE are raw figures. They are not developed to ultimate, nor are they trended.
***Earned Premiums are not trended.

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 August 18, 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 August 18, 2023 at Los Angeles, California.

Kaitlyn Gentile

Service List

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