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**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA**

In the Matter of the Rates, Rating Plans, or
Rating Systems of

File No. NC-04-038852

MERCURY INSURANCE GROUP

(MERCURY CASUALTY
COMPANY, MERCURY
INSURANCE COMPANY,
CALIFORNIA AUTOMOBILE
INSURANCE COMPANY,
AMERICAN MERCURY
INSURANCE COMPANY and
CALIFORNIA GENERAL
UNDERWRITERS INSURANCE
COMPANY, INC.),

**STIPULATION AND [PROPOSED]
ORDER RE: DISMISSAL OF CERTAIN
NONCOMPLIANCES**

Respondents.

Pursuant to an agreement reached at the March 3, 2006 initial status conference, the parties met in Sacramento, California, on March 8, 2006. The Department of Insurance appeared by its Bureau Chief, Field Rating and Underwriting Bureau, Pamela J. O’Connell, and its Senior Staff Counsel, Brian D. FitzGerald, esq. Mercury Insurance Group appeared by its General Counsel, Douglas L. Hallett, Esq. The parties reached, and hereby stipulate to, the following agreements:

1. The Seventh alleged Noncompliance asserts: “Mercury Casualty Company places a cap on the premium credit available to combined discounts. This Respondent’s commercial

1 auto rating plan limits the percentage of credit available for deductibles and discounts to which
2 insured are entitled. The commercial auto plan allows a maximum of 25% credit total for the four
3 discounts offered under the plan. The maximum credit available from the four discounts
4 combined is 45% without the credit limitation. The imposition of a maximum credit is unfairly
5 discriminatory as some insureds will not receive the full premium benefit of the credit and it also
6 allows for the application of excessive rates. This is a violation of California Insurance Code
7 section 1861.05(a).”

8 Having reviewed Mercury's actuarial justification for the above practices, the Department
9 of Insurance agrees that those practices do not result in rates that are excessive, inadequate, or
10 unfairly discriminatory in violation of California Insurance Code section 1861.05(a). The parties
11 agree that the Seventh alleged Noncompliance be and hereby is dismissed with prejudice.

12 2. The Eighth alleged Noncompliance asserts: “The persistency rule of the
13 respondents Mercury Casualty Company, Mercury Insurance Company and California
14 Automobile Insurance Company uses an insured risk’s loss experience and the number of years
15 the insured has been continuously insured with no lapse in coverage in excess of 30 days to
16 determine eligibility for the persistency credit. Continued use of a persistency discount that
17 utilizes prior insurance with unaffiliated carriers, and combines driving safety record with length
18 of persistency to determine eligibility for the persistency discount is non-compliant with the
19 persistency regulation currently applicable to Respondents. This is a violation of the California
20 Insurance Code, sections 491 and 1861.02(c) and California Code of Regulations, Title 10,
21 Chapter 5, Subchapter 4.7, Sections 2632.5(c)(1)(A), 2632.5(d)(11) and 2632.13(c).”

22 The parties stipulate and agree that Mercury does not at this time apply a persistency
23 discount that is either based upon the number of years an insured has renewed with any of the
24 Mercury affiliate companies, or the number of years an insured has had prior insurance coverage
25 with any insurer. Mercury further agrees that it will not refile for a portable persistency discount
26 unless and until Section 2632.5(d)(11) is modified to allow expressly for such or until the
27 Commissioner otherwise allows. The parties agree that the Eighth alleged Noncompliance be and
28 hereby is dismissed with prejudice.

1 3. The parties are continuing to exchange information, and will continue to meet,
2 with the aim of resolving as many of the remaining alleged Noncompliances as possible.

3 IT IS SO STIPULATED.

4
5 Date: 3/17/06

CALIFORNIA DEPARTMENT OF INSURANCE

6
7 By _____ /s/ _____
8 Brian D. FitzGerald
9 Senior Staff Counsel

10 Date: 3/17/06

MERCURY INSURANCE GROUP

11
12 By _____ /s/ _____
13 Douglas L. Hallett, General Counsel

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15 IT IS SO ORDERED.

16 Date:

17 _____
18 Hon. Lisa A. Williams
19 Administrative Law Judge
20 California Department of Insurance
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