

Proposition 17: Should We Alter Car Insurance Rules?

March 21, 2010 Meeting of the Forum, Unitarian Universalist Church of Palo Alto
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Background

This proposal is a statute put forward by the voters directly. This means that 433,971 voters (5% of those who voted in the gubernatorial race of the last general election) have signed petitions to bring it to a vote.¹

Proposal²

In 1998, we approved Proposition 103, which required insurance companies to receive approval from the State Insurance Commissioner before changing the criteria for setting certain premiums. It also mandated that automobile insurance rates be determined by the following criteria in ranked order: a driver's driving record, annual mileage, and number of years driving.

The Insurance Commissioner may also authorize additional criteria for determining a customer's automobile insurance rate. Proposition 17 changes and codifies part of these criteria.

Currently, insurance companies can consider customer loyalty and provide a discount based on the length of their relationship. However, this proposal would extend that to allow insurers to give discounts to new customers based on how long they had held bodily injury liability coverage with another insurer. This, therefore, would lift a current ban on factoring in whether a prospective customer is currently uninsured.

Typically, new customers could receive this discount if they had had bodily injury liability coverage for the last five years without gaps of more than ninety days. Exceptions would be if the gap occurred because of service in the armed forces abroad or because the customer had failed to pay a premium. Also, minors living with a parent could receive a discount from the parent's history.

LAO Score³

The Legislative Analyst's Office (LAO) is a state agency charged with making an official assessment of a proposition's potential impact on state and local governmental finances. For Proposition 17, the LAO anticipates minimal impact. Insurance companies pay taxes on their premiums, so rate changes could alter those tax revenue levels. However, the LAO largely declined to speculate on how great that impact would be other than to say it would likely be small.

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¹ For more on proposition qualification requirements, see Secretary of State, "Initiative Guide" (online, available: <<http://www.sos.ca.gov/elections/ballot-measures/initiative-guide.htm>>, 27 February, 2010).

² The following information is heavily based on the Legislative Analyst's Office (LAO) official analysis. See LAO, "Proposition 17" (11 February, 2010) (online, available: <http://lao.ca.gov/ballot/2010/17_06_2010.pdf>, 10 March, 2010) 1-3.

³ LAO, "Proposition 17" 3.