



New CA Dept. of Insurance Draft Affinity Discount Regulations Would Take Away Auto Discounts for Millions of Hard-working Californians.

Draft Regulations would cost consumers hundreds of dollars per year in higher insurance costs.

New draft regulations proposed by the California Department of Insurance (CDI) would impose onerous and unworkable new requirements that would eliminate group auto insurance discounts for millions of Californians – costing consumers hundreds of dollars per year. Group auto insurance discounts were approved by California voters as part of Proposition 103. We support the stated goal to expand affinity discount programs to more low-income and underserved communities. However, the new draft regulations would make these auto discount programs infeasible for insurers, employers, unions and non-profits to offer as a member benefit.

As we recover and rebuild from a global pandemic, now is not the time to eliminate discounts for teachers, firefighters, healthcare workers, paramedics, police officers, government employees, nurses, secretaries, realtors and others.

What are Affinity Group Discounts and Who Benefits?

- Many non-profits, such as unions, trade associations, membership organizations and professional associations offer their members or employees auto insurance discounts via partnerships with insurance companies known as affinity discounts. Under the law, insurers can also offer direct discounts to many professionals that are proven to have lower risk of accidents.
- These affinity discounts are regulated by the CA Department of Insurance (CDI) and allow insurance companies to offer these discounts – directly or through associations and organizations – to drivers of similar professions or categories who are proven to be at lower risk of auto accidents such as teachers, nurses, government employees, healthcare workers, secretaries, firefighters, police officers and others.
- **These discounts save millions of hard-working Californians hundreds of dollars on average per year.**

How Do the Draft Regulations Put Formal Affinity Group Discounts in Jeopardy?

- These regulations are so unworkable insurers will likely be unable to offer affinity discounts to non-profits, unions, businesses and associations. This would likely increase the premiums of millions of consumers who currently receive affinity group discounts as a member or employer benefit.
- Under the draft regulations, no discount can be offered by an insurer in the state for any group, unless 25 % of *all* insured vehicles in *all* group plans for that insurer are in a narrow list of zip



codes designated by the CDI. That's simply infeasible. It is unlikely that 25% of *all* vehicles in *all* groups for an insurer would be located in these designated zip codes. Many affinity discounts are offered by local unions and local trade associations - so it's highly unlikely that 25% of *all* insured vehicles in groups for that insurer would be in the narrow list of required zip codes throughout the state. As a result, this provision would likely eliminate the discount for millions of teachers, nurses, government employees, healthcare workers, secretaries, firefighters, police officers and others.

- The new draft regulations also require each member to be verified by the insurer and group every two years. This creates an enormous administrative burden for both the insurer and the group and make these programs extremely difficult to provide. The loss of these discounts would disproportionately affect employees of small businesses, unions and associations that do not have HR departments to handle the new bureaucratic requirements. Ninety-nine (99.8%) of businesses in California are considered small businesses defined as having less than 100 employees.
- The new draft regulations also only provide the discount to the member of the formal group. For example, a nurse that buys her insurance through her union would only be able to have the discount for herself. Her partner or children that are not a member of the group or profession would be excluded from the discount. This would greatly reduce the benefit these programs offer to members. It also reduces the discount currently enjoyed by members of unions, professional associations, and alumni groups.

How will these draft regulations hurt Californians not in a formal group?

- **All discounts currently given to individuals not in a formal group would be eliminated immediately by these draft regulations.**
- Currently insurers provide discounts to drivers in a wide range of jobs because data shows they are statistically less risky. Insurers file rating plans with data to the California Department of Insurance that demonstrates these drivers are less risky and deserve a discount. The department approves all rate filings prior to use by insurers.
- Millions of non-represented nurses, preschool teachers, firefighters, secretaries, government employees, and many other hard-working Californians would lose this discount.

Tell Commissioner Lara: Please Don't Take Away My Insurance Discount!