

CDI ANNOUNCES NEW PROPOSED REVISIONS TO PRIOR APPROVAL REGS AND INVITES PRE-NOTICE PUBLIC DISCUSSION

Tuesday, November 25, 2008 at 10:34PM

Earlier this month, the CDI issued a notice advising the industry of a hearing in early December in which it will invite prenotice public discussions on contemplated revisions to the prior approval rate regulations. These regulations, which have already gone through significant change in the last couple of years, sets forth the procedures for companies to follow in submitting a rate application.

There are a number of changes that will most certainly prompt "*discussion*." For instance, the CDI contemplates the development of a maximum and minimum efficiency standard, which creates a range in which a company's actual expense ratio is compared and, if the actual expense ratio falls within the range, that ratio is used in lieu of the efficiency standard. The CDI also proposes a removal of the regulation that permits the Commissioner to increase or decrease the maximum permitted after tax rate of return (by 2%) based upon financial market conditions. The CDI also proposes a removal of the "higher quality of service" variance and the addition of an "higher financial investment in underserved communities" variance.

Another proposed revision that is worthy of note is the CDI's contemplated definition of "enterprise as a whole" to mean "the insurer's operations in all lines of insurance which are subject to this Article and which are conducted in California" to be used in connection with a confiscation/constitutional variance analysis. As this issue had been the subject of substantial debate (and disagreement) in recent rate hearings, this proposed definition will like engender much discussion at the hearing.

These and other changes can be seen [here](#). The hearing will take place on December 9, 2008, starting at 10:00 am at the Administrative Hearing Room, which is at the CDI's San Francisco Office, 45 Fremont Street, 22nd Floor.