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## News Release

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### **Rate Challenge Saves California Drivers with Allstate Auto Insurance One Quarter-Billion Dollars**

#### **Insurance Commissioner Orders Allstate to Lower Rates by 15.9% Under Prop. 103**

*Santa Monica, CA* – California drivers with Allstate auto insurance will save a quarter-billion dollars under an order issued by Insurance Commissioner Poizner Friday that requires Allstate to lower its premiums by 15.9%. The savings are a result of Proposition 103's prohibition on excessive rates and will lower each policyholder's premium an average of \$133 per car. Nearly two million drivers with Allstate insurance policies will see their rates go down. The order takes effect April 14.

The Commissioner's order followed the recommendation of an administrative law judge that heard the case in November 2007. Allstate originally requested no change in its auto rates when it filed a new rate structure with the Department of Insurance in 2006, but a hearing was ordered by the Commissioner to justify those rates. The nonprofit Foundation for Taxpayer and Consumer Rights (FTCR) intervened to challenge the existing rate as excessive, arguing that Allstate's rates should be lowered by 19.4% according to the rules of Proposition 103, the 1988 insurance reform initiative. The Commissioner determined that a 15.9% decrease was required.

"California Allstate drivers will save an average of \$133 each, a quarter-billion dollars in total, thanks to Proposition 103's safeguards," said FTCR attorney Todd Foreman. "These rate reductions came about because of the 'prior approval' regulations that limit industry excesses and more Californians should see rate decreases soon."

Allstate's modified request for a mere 7% decrease after the initiation of the rate hearing was based upon contradictory tales of Allstate's alleged financial distress in California, while at the same time, the company was boasting of record profits to Wall Street. Allstate's net income for 2006 alone was approximately \$5 billion and total shareholder return was 590% between 1994 and 2006.

"In an economy that is wreaking havoc on consumers' bottom line, Allstate's rate cut can be positively perceived as a \$250 million stimulus package as it will provide much needed relief to nearly two million of its California customers," said FTCR's co-counsel Daniel Y. Zohar with the

Los Angeles, CA. based Zohar Law Firm. "With everyone having to tighten their belts, we are proud that our advocacy on behalf of consumers has helped to ensure that Allstate tightens its belt, too."

FTCR has also challenged an unjustified homeowners' insurance rate hike requested by Allstate. If successful, the challenge will save Allstate's homeowner policyholders approximately \$350 million a year.

The Allstate auto insurance savings announced today were achieved under amended regulations issued by the Department of Insurance last year that revised guidelines for profitability and allowable expenses under the rules of Proposition 103. Prop 103 requires insurance companies to open their books and submit to public hearings to justify that rates are adequate without being excessive. Consumers may intervene in or initiate proceedings to challenge any rate that is unfair or excessive.

Using Prop 103, FTCR has helped Californians save more than \$800 million dollars by challenging other auto, homeowners, and medical malpractice insurance rate proposals since 2003. A full list of previous savings is available at: <http://www.consumerwatchdog.org/images/InsSavings.gif>