

## **Consumer Watchdog**

News Release

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### **Allstate Must Lower Homeowners' Insurance Rates \$242 Million a Year As A Result Of Proposition 103's Consumer Protection Rules**

### **Consumer Advocates Applaud Commissioner Poizner's Ruling, Shift Focus To Investigation of Possible Refunds for Past Allstate Overcharges**

*Santa Monica, CA* – Allstate (NYSE: ALL) homeowners' insurance customers will save \$242 million a year under a Wednesday order by Insurance Commissioner Poizner that the company lower its premiums by 28.5%. Allstate's California homeowners policyholders will pay about \$250 less a year.

The nonprofit, nonpartisan Consumer Watchdog challenged a 9.8% rate increase request made by Allstate last year under the rules of the voter approved insurance reform measure Proposition 103. The company quit selling new homeowners insurance policies in California almost a year ago in the middle of wildfire season.

"For the Insurance Commissioner to not only reject Allstate's request for a rate increase, but to also accept our arguments for a substantial decrease, is a tremendous victory for California homeowners," stated Los Angeles attorney Daniel Y. Zohar with the Zohar Law Firm, lead outside counsel for Consumer Watchdog at the Allstate hearings. "In these times of economic uncertainty, hundreds of thousands of consumers will be able to keep more of their hard-earned money, rather than have to line the ever-swelling pockets of Big Insurance. Importantly, this decision sends a clear message to all insurance carriers that if they try to overcharge California consumers, they will be stopped in their tracks."

### **An Ongoing Proceeding Will Investigate Whether Allstate Should Also Provide Refunds to Customers**

Consumer Watchdog said Thursday that it will now turn its attention to a regulatory proceeding investigating whether Allstate should also be required to refund homeowners hundreds of dollars each for overcharges in recent years. In 2007, Consumer Watchdog agreed to put the issue of refunds for past overcharges on hold until the Commissioner ruled on Allstate's rate hike request. The group said it would immediately begin to work on pursuing refunds now that the Commissioner rejected the company's rate hike request and ordered substantial reductions.

Allstate's net income for 2006 alone was approximately \$5 billion and total shareholder return was 590% between 1994 and 2006. Ironically, Allstate claimed it needed to raise its rates because the company would suffer extreme financial hardship if required to live by the same regulations as other insurers. The increase Allstate sought here, in part, was based on its claim that it should be allowed to build a higher profit margin into its rates to earn a 12.85% rate of return instead of the 10.17% allowed under California regulations. The company made the same claim when trying to fend off a similar decrease to their auto insurance rates. But Allstate was ordered by the Commissioner to reduce its auto insurance rates by about \$250

million in March. Allstate also sought to pass through to its customers \$80.8 million in premiums it pays to buy reinsurance, which is not allowed for homeowners' insurers in California.

"Allstate boasted of record profits to Wall Street, then came to California claiming it's not making enough money in order to charge its policyholders higher premiums. Proposition 103's prohibition on excessive rates protected California consumers with home and auto insurance policies from Allstate's price gouging and saved them over half a billion dollars this year," said Pamela Pressley, litigation director at Consumer Watchdog.

Using Proposition 103, Consumer Watchdog has helped Californians save more than \$1 billion in challenges to auto, homeowners', and medical malpractice insurance rate proposals since 2003. View a full list of these savings here:

<http://www.consumerwatchdog.org/images/InsSavings.gif>

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Consumer Watchdog (formerly the Foundation for Taxpayer and Consumer Rights) is a nonpartisan, nonprofit consumer advocacy organization. Learn more at <http://www.ConsumerWatchdog.org>