

DEPARTMENT OF INSURANCE**Legal Division, Compliance Bureau**45 Fremont Street, 21st Floor
San Francisco, CA 94105**NOTICE OF PROPOSED EMERGENCY REGULATIONS
PURSUANT TO CALIFORNIA INSURANCE CODE SECTION 12921.7 and
CALIFORNIA GOVERNMENT CODE SECTION 11346.1(b)(2)**

ER-2007-00004

October 30, 2007

CALIFORNIA LOW COST AUTOMOBILE INSURANCE PROGRAM**Rates for Liability, Uninsured Motorists and Medical Payment Coverages for
Alpine, Colusa, Del Norte, Glenn, Inyo, Lassen, Mariposa, Modoc, Mono, Nevada,
Plumas, San Luis Obispo, Sierra, Siskiyou, Tehama, and Trinity Counties**

California Insurance Commissioner Steve Poizner hereby provides notice, pursuant to California Insurance Code Section 12921.7 and California Government Code Section 11346.1(b)(2), that he finds that an emergency exists and that he will propose to the Office of Administrative Law the amendment of the California Automobile Insurance Low Cost Program Plan of Operations, referenced in Title 10, Chapter 5, Subchapter 3, Section 2498.6 of the California Code of Regulations, on an emergency basis pursuant to California Government Code Section 11346.1(b).

This Notice contains the information required by Cal. Gov't Code Section 11346.5(a)(2-6), a description of the problem and the necessity for the regulation, an explanation of the justification for the adoption of the regulation on an emergency basis and a copy of the proposed emergency regulation.

This Notice is provided to every person, group, and association who has previously filed a request for notice of regulatory action with the Commissioner. Copies of the Notice are available at the Department of Insurance, 45 Fremont Street, 21st Floor, San Francisco, California, 94105 and on the Department's web site at www.insurance.ca.gov.

The proposed regulation will be submitted to the Office of Administrative Law together with the rulemaking file not less than five (5) working days after the mailing of this Notice, as required by California Insurance Code Section 12921.7 and California Government Code Section 11346.1. Questions regarding this Notice should be directed to:

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AUTHORITY AND REFERENCE

The Insurance Commissioner proposes the adoption of this rulemaking action pursuant to the authority vested in him by California Insurance Code Sections 11620, 11624, 11629.7, 11629.72, 11629.73, and 11629.79. Premium rates are referenced in the Appendix, Exhibit E, of the Program's Plan of Operations. The purpose of this rulemaking action is to implement, interpret, and make specific Insurance Code Sections 11629.7, 11629.72 and 11629.79, as amended by Stats. 2005, chapter 435, operative January 1, 2006.

INFORMATIVE DIGEST / POLICY STATEMENT OVERVIEW / DESCRIPTION OF PROBLEM

Legislation involving the California Low Cost Automobile Insurance program, Stats. 2005, chapter 435 (SB 20, Escutia), was approved by the Governor on September 30, 2005. The legislation extended the program to Alameda, Fresno, Orange, Riverside, San Bernardino and San Diego counties, commencing on April 1, 2006. The bill further authorized expansion of the program to all counties in California at the discretion of the commissioner, subject to specified procedures.

Following such procedures, the commissioner has expanded the program to Contra Costa, Imperial, Kern, Sacramento, San Joaquin, San Mateo, Santa Clara, and Stanislaus counties, effective June 1, 2006, to Merced, Monterey, Santa Barbara, Sonoma, Tulare, and Ventura counties, effective March 30, 2007, and to Amador, Butte, Calaveras, El Dorado, Humboldt, Kings, Lake, Madera, Marin, Mendocino, Napa, Placer, San Benito, Santa Cruz, Shasta, Solano, Sutter, Tuolumne, Yolo, and Yuba counties, effective October 1, 2007.

The legislation does not specify a rate, but authorizes the Commissioner to adopt regulations establishing a rate, in consultation with the California Automobile Assigned Risk Plan (CAARP), in order to implement the expansion of the program to these counties, as emergency regulations. Previous legislation mandated the availability of optional coverages of uninsured motorists and medical payments to policyholders at additional premium.

In exercising his discretion to further expand the program, the legislation specifies that the commissioner make an initial determination of need, hold a public meeting in each county to discuss the need and desirability for such a program, and make a final determination of need within 30 days after the public meeting. The legislation provides that, in making the determination of need for each county, the commissioner consider the number or percentage of uninsured motorists within the county, the number or percentage of low income residents within the county, and the availability of affordable automobile insurance in the voluntary market.

Accordingly, on August 27, 2007, the commissioner made an initial determination of need to further expand the program to the remaining sixteen counties of Alpine, Colusa, Del Norte, Glenn, Inyo, Lassen, Mariposa, Modoc, Mono, Nevada, Plumas, San Luis Obispo, Sierra, Siskiyou, Tehama, and Trinity, thereby completing expansion to the entire state of California.

Subsequently, the commissioner held public forums on September 26, 2007 in Lassen county (city of Susanville), on September 27, 2007 in Mariposa and Plumas counties (cities of Mariposa and Quincy, respectively), on September 28, 2007 in Sierra, Colusa, Inyo, and Glenn counties (cities of Downieville, Colusa, Bishop, and Willows, respectively), on October 1, 2007 in San Luis Obispo and Mono counties (cities of San Luis Obispo and Mammoth Lakes, respectively), on October 2, 2007 in Alpine county (city of Markleeville), on October 8, 2007 in Siskiyou county (city of Happy Camp), on October 10, 2007 in Nevada and Del Norte counties (cities of Nevada City and Crescent City, respectively), on October 11, 2007 in Modoc and Tehama counties (cities of Alturas and Red Bluff, respectively), and on October 12, 2007 in Trinity county (city of Weaverville), to discuss the need and desirability of the program.

Based upon a consideration of the number or percentage of uninsured motorists within each county, the number or percentage of low income population in each county, the availability of affordable insurance options in the voluntary market, and affirmation of the need and desirability of the program expressed by consumers at the public meetings in each county, the commissioner made a final determination that need exists for the program in each of these counties.

The commissioner announced his final determination of need for the program in Alpine, Colusa, Del Norte, Glenn, Inyo, Lassen, Mariposa, Modoc, Mono, Nevada, Plumas, San Luis Obispo, Sierra, Siskiyou, Tehama and Trinity counties on October 26, 2007, as required by the legislation.

NECESSITY FOR REGULATION

The low cost automobile insurance program was established within the California Automobile Assigned Risk Plan and follows CAARP procedures where appropriate and not inconsistent with the low cost automobile insurance statutes. Under the assigned risk plan, applicants for insurance are randomly assigned to a licensed automobile insurer and that insurer issues and services the policy in accordance with the Plan. Customarily, CAARP and low cost automobile insurance program rates are uniform so that the consumer pays the same rate irrespective of what company the consumer is assigned.

Because the low cost auto insurance policy is at lower liability limits than basic limits policies in the voluntary market, rates must be independently calculated. Thus, establishing uniform rates for the liability policy and additional coverages requires significant and time-consuming actuarial efforts.

To expedite the program's operation in these sixteen counties, on October 26, 2007, CAARP's Advisory Committee proposed to the Commissioner rates for the liability policy and additional coverages. Subsequently, the Department reviewed CAARP's methodology and determined that the rates proposed by CAARP were adequate and consistent with statutory rate-setting standards. Those rates are the ones proposed for adoption in this emergency regulation.

To establish uniform rates for the liability policy and optional coverages for the additional sixteen counties, the Plan of Operations must be amended.

JUSTIFICATION FOR ADOPTION AS EMERGENCY REGULATION

Following CAARP and the low cost automobile insurance program’s statutory rate-setting procedures would delay the availability of an affordable insurance option to low income eligible drivers in the sixteen expansion counties. In recognition of the need for immediate action in implementing such expansion, 2005 Stats., chapter 435 authorizes that the regulation be adopted as an emergency regulation.

Moreover, California Insurance Code Section 11629.79 mandates that the Office of Administrative Law consider the adoption of the regulations to be necessary for the immediate preservation of the public peace, health and safety, and general welfare.

COMPARABLE FEDERAL LAW

There are no comparable existing federal regulations or statutes.

LOCAL MANDATE DETERMINATION

The Insurance Commissioner has initially determined that the proposal will not result in any new program mandates on local agencies or school districts. As such, the proposal does not require state reimbursement pursuant to Part 7 (commencing with Section 17500) of Division 4 of the Government Code.

TEXT OF THE PROPOSED REGULATION

The text of the proposed emergency rulemaking is attached.

Dated: October 30, 2007

STEVE POIZNER
Insurance Commissioner

By: _____/s/_____
Mary Ann Shulman
Senior Staff Counsel