

**STATE OF CALIFORNIA  
DEPARTMENT OF INSURANCE  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, California 94105**

**RH06050871**

**January 16, 2007**

**NOTICE OF PROPOSED ACTION AND NOTICE OF PUBLIC HEARING  
REGARDING REVISIONS TO CALIFORNIA AUTOMOBILE ASSIGNED RISK  
PLAN**

SUBJECT OF HEARING

California Insurance Commissioner Steve Poizner will hold a public hearing to address the proposed amendments to Rules 5, 122 and 124 of the California Automobile Assigned Risk Plan (CAARP) Manual of Rules and Rates and the withdrawal of endorsement AP 90 26 05 05 Drive Other Car Coverage Broadened Coverage for Named Individuals..

AUTHORITY TO ADOPT RATES AND PROCEDURES AND REFERENCE

The Commissioner will consider the proposed rates pursuant to the authority vested in him by Section 11620 of the California Insurance Code. The Commissioner's decision on the proposed rates will implement, interpret, or make specific the requirements of Insurance Code Section 11624(e). Government Code §11340.9(g) applies to this proceeding.

HEARING DATE AND LOCATION

Notice is hereby given that a public hearing will be held to permit all interested persons the opportunity to present statements or arguments, orally or in writing, with respect to the proposed changes at the following date, time, and place:

**Date and Time:**       **April 19, 2007  
10:00 a.m.**

**Location:**           **California Department of Insurance  
45 Fremont Street  
22<sup>nd</sup> Floor Hearing Room  
San Francisco, California 94105**

ACCESS TO HEARING ROOM

The facilities to be used for the public hearing are accessible to persons with mobility impairments. Persons with sight or hearing impairments are requested to notify the

contact person (listed below) for this hearing in order to make special arrangements, if necessary.

WRITTEN AND/OR ORAL COMMENTS: AGENCY CONTACT PERSON

All persons are invited to submit written comments to the Insurance Commissioner on the proposal prior to the public comment deadline. Comments should be addressed to the contact person for this proceeding:

Mike Riordan, Staff Counsel  
California Department of Insurance  
Rate Enforcement Bureau  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, CA 94105  
[riordanm@insurance.ca.gov](mailto:riordanm@insurance.ca.gov)  
Telephone: (415) 538-4226  
Facsimile: (415) 904-5490

The backup agency contact person for this proceeding will be:

Elizabeth Mohr, Assistant Chief Counsel  
California Department of Insurance  
Rate Enforcement Bureau  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, CA 94105  
[mohre@insurance.ca.gov](mailto:mohre@insurance.ca.gov)  
Telephone: (415) 538-4112  
Facsimile: (415) 904-5490

All persons are invited to present oral and/or written testimony at the scheduled public hearing.

DEADLINE FOR WRITTEN COMMENTS

All written materials, unless submitted at the hearing, must be **received** by the Insurance Commissioner at the address listed above **no later than 5:00 p.m. on April 19, 2007**. Any written materials received after that time will not be considered. Written comments may also be submitted to the contact person by e-mail and facsimile transmission. Please select only one method to submit written comments.

ADVOCACY OR WITNESS FEES

Persons or groups representing the interest of consumers may be entitled to reasonable advocacy fees, witness fees, and other reasonable expenses, in accordance with the provisions of California Code of Regulations, Title 10, Sections 2662.1-2662.6 in connection with their participation in this matter. Interested persons must submit a Petition to Participate, as specified in California Code of Regulations, Title 10, Section 2661.4. The Petition to Participate must be submitted to the Commissioner at the Office of the Public Advisor at the following address:

California Department of Insurance  
Office of the Public Advisor  
300 Capitol Mall, Suite 1700  
Sacramento, CA 95814  
Telephone: (916) 492-3500

A copy of the Petition to Participate must also be submitted to the contact person for this hearing (listed above). For further information, please contact the Office of the Public Advisor.

#### INFORMATIVE DIGEST

In response to complaints about fees being charged for applications at renewal Rule 5 will be amended to clarify that a fee should only be charged at the initial receipt of the application and is not to be charged at renewal as long as the policy remains in force. If a policy is canceled for nonpayment of premium or any other reason allowed by Plan rules, the company would issue an SR26 to cancel the initial filing. In those cases or anytime a new application is submitted the filing fee may be charged.

The revision to Rule 122 has no impact as producers are currently reporting driver information on a quarterly basis to servicing carriers. However this was information made known through a circular issued by CAARP. CAARP would like to formally reflect this procedure in the Rates and Rule Manual by amending Rule 122 to include a new paragraph B.4 to specify that the producer will report all driver changes on a quarterly basis for risks with 25 or more drivers and that the carrier will bill for any additional premium or return any unearned premium based on driver surcharges.

Complaints from producers found that the requirements needed to be eligible for the Rule 124 discount were sometimes impossible to meet. The Advisory Committee requested that AIPSO review what other states have done to calculate the premium and requested that actuaries look at the rate levels for excess coverage as well as what the rate would be if the excess and primary coverage were a combined rate. AIPSO came up with three options (1) accept copies of declarations pages, (2) delete the discount so that all food delivery operations would be rated the same, or (3) delivery receipts rating as well as clarifying eligibility requirements.

Following discussions it was agreed that option 3 revised to delete the eligibility requirements would be best. AIPSO was asked to provide Plan staff what information would be needed to develop a proposed revenue neutral rate and minimum premium. Based on information supplied to AIPSO actuary staff a rate of \$9.42 per \$1,000 of delivery receipts was proposed. The subcommittee requested that additional information be provided by the service carriers from their book of business for creditability. Also AIPSO was asked to look at the voluntary market for benchmark premiums in these types of risk.

The additional data was reviewed and Paragraph A of Rule 124 is proposed to be amended to introduce a rating procedure based on delivery sales. The amount agreed upon was \$9.58 per \$1,000 of delivery sales with a minimum premium of \$500.

AP 90 26 05 05 Drive Other Car Coverage Broadened Coverage for Named Individual need to be withdrawn as it is not applicable to the Plan as there is no corresponding rule.

#### 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.

#### MANDATES ON LOCAL AGENCIES OR SCHOOL DISTRICTS OR COSTS WHICH MUST BE REIMBURSED PURSUANT TO GOVERNMENT CODE SECTIONS 17500 THROUGH 17630

The Insurance Commissioner has initially determined that the proposal will not result in any cost or significant savings to any local agency or school district for which Part 7 (commencing with Section 17500) of Division 4 of the Government Code would require reimbursement, or in other nondiscretionary costs or savings to local agencies.

#### COST OR SAVINGS TO ANY STATE AGENCY; FEDERAL FUNDING

The Commissioner has determined that the proposed regulation will result in no cost or savings to any state agency and no cost or savings in federal funding to the state.

#### SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT ON BUSINESSES AND THE ABILITY OF CALIFORNIA BUSINESSES TO COMPETE

The Commissioner has initially determined that the proposal will not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states. This proposal will have no effect on the creation or elimination of jobs in California, the creation of new businesses, the elimination of existing businesses in California, or the expansion of businesses in California.

#### COST IMPACT ON PRIVATE PERSONS OR ENTITIES

The agency is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

#### IMPACT ON HOUSING COSTS

The Insurance Commissioner has initially determined that the proposal will not affect housing costs.

#### IMPACT ON SMALL BUSINESS

The matter proposed herein will affect insurance companies and therefore will not affect small business. (Gov. Code Section 11342.610(b)(2)). However, certain food delivery operations can expect premium changes.

#### SPECIFIC TECHNOLOGIES OR EQUIPMENT

The proposal would not mandate the use of specific technologies or equipment.

#### ALTERNATIVES

The Insurance Commissioner must determine that no reasonable alternative considered by the agency, or that has otherwise been identified and brought to the attention of the agency, would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action.

#### PLAIN ENGLISH

The proposed changes describing CAARP's proposals are in plain English.

#### TEXT AND INITIAL STATEMENT OF REASONS

The Department has prepared an Initial Statement of Reasons addressing the proposed amendment in addition to the Informative Digest included in this notice. The Initial Statement of Reasons and this Notice of Proposed Action are available for inspection or copying, and will be provided at no charge upon request to the contact person listed above. Further details on CAARP's proposal are on file with the Commissioner and available for review as set forth below.

#### FINAL STATEMENT OF REASONS

A final statement of reasons will be prepared at the conclusion of this proceeding. Upon written or e-mail request to the contact person listed above, the final statement of reasons will be made available for inspection and copying once it has been prepared. A copy of the final statement of reasons will also be posted on the Department's web site.

#### ACCESS TO RULEMAKING FILE

Any interested person may inspect a copy of or direct questions about CAARP's proposed amendments, the statement of reasons, and any supplemental information contained in the rulemaking file by contacting the contact person listed above. **By prior appointment**, the rulemaking file is available for inspection at 45 Fremont Street, 21<sup>st</sup> Floor, San Francisco, California 94105, between the hours of 9:00 a.m. and 4:30 p.m. Monday through Friday.

#### AUTOMATIC MAILING

A copy of this Notice, including the Informative Digest is being sent to all persons on the Insurance Commissioner's mailing list.

#### AVAILABILITY OF DOCUMENTS ON THE INTERNET

The Initial Statement of Reasons, proposed text, and this Notice of Proposed Action will be published online and may be accessed through the Department's website at [www.insurance.ca.gov](http://www.insurance.ca.gov).

AVAILABILITY OF MODIFIED TEXT OF REGULATIONS

If the Department amends the proposed regulations with changes that are sufficiently related to the original text, the Department will make the full text of the amended regulations, with the changes clearly indicated, available to the public for at least 15 days before the date the Department adopts the amended regulations.

**Steve Poizner**  
Insurance Commissioner

Dated: \_\_\_\_\_, 2007

By: \_\_\_\_\_/s/\_\_\_\_\_  
Mike Riordan  
Staff Counsel