

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

**RH05047235**

**January 16, 2007**

**NOTICE OF PROPOSED ACTION AND NOTICE OF PUBLIC HEARING  
REGARDING LOW COST AUTOMOBILE INSURANCE PROGRAM PLAN OF  
OPERATIONS**

SUBJECT OF HEARING

California Insurance Commissioner Steve Poizner will hold a public hearing to consider proposed amendments to Sections 4, 14, 19, 20, 26, 28, 33, 34 and 37 of the California Low Cost Automobile Insurance Program.

AUTHORITY TO ADOPT RATES AND REFERENCE

The Insurance Commissioner proposes changes to the California Low Cost Automobile Insurance Program Plan of Operations, referenced in Title 10, Chapter 5, Subchapter 3, Article 8, Section 2498.6 of the California Code of Regulations, pursuant to the authority vested in him by California Insurance Code Sections 11620, 11624, 11629.7, 11629.79, 11629.9 and 11629.99. The purpose of these amendments is to implement, interpret, and make specific the provisions of California Insurance Code Sections 11623.5, 11629.7, 11629.71, 11629.74, 11629.79, 11629.9, 11629.91, 11629.94 and 11629.99.

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 amendments at the following date, time, and place:

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

**Location:                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 proposed amendments 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  
Legal Division  
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. Written comments shall be submitted by one method only.

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**

LCA references to sections of the old CAARP regulation must be updated to reflect the transition to the new CAARP Plan of Operations.

Section 4 of the LCA manual stated that the minimum assessment would be proportional to the insurers obligation pursuant to the program. The previous minimum amount was \$4 and was found in California Code of Regulations section 2490. The updated minimum is now \$250 and is found in the CAARP Plan of Operations Section 4.B.

Section 14 deals with an insurer that fails to subscribe to the CAARP program. CAARP is the insurer of last resort it assigns drivers that may not be able to get coverage to insurers. Any insurer that is licensed to offer private passenger automobile coverage in California is automatically enrolled in the CAARP program. LCA is a program like CAARP. It offers low cost insurance to those who meet requirements set out by the legislature and like CAARP an insurer is automatically enrolled if it is licensed to offer private passenger automobile coverage. These were formally found in California Code of Regulations section 11625.

Section 19 sets the requirements to become a certified producer to allow brokers to submit applications for both CAARP and LCA. Section 19 also set out performance standards to remain a certified producer and procedures to handle violations of the producer standards. These were formally found in California Code of Regulations section 2431.

Section 20 sets the standards that a certified producer must follow in order to remain certified. These were formally found in California Code of Regulations section 2431.2.

Section 26 refers to the installment premium options that are the same as the installment charge in the CAARP Plan of Operations. This was formally found in California Code of Regulations section 2443.

Section 28 refers to the retraction procedures involving Electronic Effective Date Procedure and the Electronic Application Submission Interface. Also the procedure for return premium when the applicant refuses to accept a policy. This information was previously found in California Code of Regulations sections 2431.2 and 2444.5.

Section 33 deals with the cancellation at the request of the insured and cancellation by insurer. This was formally found in California Code of Regulations section 2444.5.

Section 34 addresses the producer commission for an LCA assignment. This was formally found in California Code of Regulations section 2462(a)(2).

Section 37 contains information dealing with violations of insurer performance standards. This was formally found in California Code of Regulations section 2431.3.

#### 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 Commissioner has initially determined that the proposal will not impact businesses, but will have a potential cost impact on private persons directly affected.

#### 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)).

### 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 as and less burdensome to affected private persons than the proposed action.

### PLAIN ENGLISH

The proposed amendments describing the changes are plain English.

### TEXT AND INITIAL STATEMENT OF REASONS

The Department has prepared an Initial Statement of Reasons addressing the proposed amendments, 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 of CAARP's proposed amendments are on file with the Commissioner and available for review as set forth below.

### FINAL STATEMENT OF REASONS

The 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 Departments 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 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).

