

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

**REG-2008-00026
CA 08-10**

July 1, 2009

INITIAL STATEMENT OF REASONS
Proposed Amendments to the CAARP Plan of Operations

PURPOSE OF THE REGULATION

Pursuant to California Insurance Code Section 11620 California Insurance Commissioner Steve Poizner will hold a public hearing regarding the recommendation of the California Automobile Assigned Risk Plan (“CAARP” or “Plan”) to amend the CAARP Plan of Operations.

NECESSITY OF REGULATION

When an applicant is ineligible for coverage because of an outstanding earned premium due on a prior Plan policy, the Plan of Operations requires that the insurer or servicing carrier apply the deposit check towards the outstanding amount, cancel the coverage and return the application to CAARP. CAARP then returns the policy to the producer and notifies the applicant that coverage is not in effect. The proposed amendments are necessary to ensure that an applicant is notified quickly as possible that he or she does not have coverage. This is accomplished by streamlining the notification process, eliminating the extra step of sending the application to CAARP to notify the parties. The proposed changes will require insurers to return the policy to the producer to notify the applicant directly that the asked for coverage is not in effect. By eliminating the extra step of notifying CAARP and then having CAARP notify the producer and applicant, it reduces the time the applicant is uninsured.

IDENTIFICATION OF STUDIES

The proposed amendments rely upon the expertise and experience of CAARP’s Advisory Committee. No data, studies, information or reports were submitted for this proceeding.

SPECIFIC ACTIONS, PROCEDURES, TECHNOLOGIES OR EQUIPMENT

Adoption of the proposed changes would not mandate the use of specific technologies or equipment.

REASONABLE ALTERNATIVES

The Commissioner invites public comments on the proposed changes and reasonable alternatives which would be as effective to carry out the proposed changes.

ECONOMIC IMPACT ON BUSINESS

The Commissioner has initially determined that the proposed changes will not have a significant adverse economic impact on businesses. The Commissioner invites interested parties to comment on whether the proposed changes will have a significant adverse economic impact on business.