

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

**REG-2010-00002**

**March 19, 2010**

**NOTICE OF PROPOSED ACTION AND NOTICE OF PUBLIC HEARING  
REGARDING LOW COST AUTOMOBILE INSURANCE RATES**

**SUBJECT OF HEARING**

California Insurance Commissioner Steve Poizner will hold a public hearing to consider an adjustment to rates for the California Low Cost Automobile Insurance program.

Insurance Code Section 11629.72(c) provides that, annually, the California Automobile Assigned Risk Plan (“CAARP”) shall submit to the Commissioner a proposed Low Cost Automobile rate and surcharge schedule for approval. Accordingly, CAARP submitted its 2010 rate recommendation on January 8, 2009, proposing an overall average rate decrease of 2.4%.

Currently, the annual premiums for the liability policy, by county, are \$272 for Alameda, \$274 for Alpine, \$262 for Amador, \$233 for Butte, \$232 for Calaveras, \$252 for Colusa, \$267 for Contra Costa, \$243 for Del Norte, \$263 for El Dorado, \$258 for Fresno, \$255 for Glenn, \$237 for Humboldt, \$161 for Imperial, \$253 for Inyo, \$254 for Kern, \$222 for Kings, \$217 for Lake, \$269 for Lassen, \$368 for Los Angeles, \$223 for Madera, \$274 for Marin, \$251 for Mariposa, \$224 for Mendocino, \$238 for Merced, \$258 for Modoc, \$259 for Mono, \$198 for Monterey, \$243 for Napa, \$251 for Nevada, \$295 for Orange, \$284 for Placer, \$241 for Plumas, \$262 for Riverside, \$361 for Sacramento, \$253 for San Benito, \$274 for San Bernardino, \$264 for San Diego, \$302 for San Francisco, \$278 for San Joaquin, \$226 for San Luis Obispo, \$287 for San Mateo, \$231 for Santa Barbara, \$261 for Santa Clara, \$213 for Santa Cruz, \$242 for Shasta, \$272 for Sierra, \$216 for Siskiyou, \$271 for Solano, \$251 for Sonoma, \$307 for Stanislaus, \$279 for Sutter, \$235 for Tehama, \$253 for Trinity, \$209 for Tulare, \$249 for Tuolumne, \$267 for Ventura, \$257 for Yolo and \$260 for Yuba. A 25 percent surcharge is added to the base rate for unmarried male drivers ages 19 through 24 years of age.

Annual premiums for optional uninsured motorists coverage, by county, are currently \$28 for Alameda, \$40 for Alpine, \$37 for Amador, \$32 for Butte, \$38 for Calaveras, \$38 for Colusa, \$28 for Contra Costa, \$38 for Del Norte, \$34 for El Dorado, \$42 for Fresno, \$37 for Glenn, \$34 for Humboldt, \$32 for Imperial, \$38 for Inyo, \$32 for Kern, \$35 for Kings, \$34 for Lake, \$39 for Lassen, \$73 for Los Angeles, \$37 for Madera, \$33 for Marin, \$37 for Mariposa, \$35 for Mendocino, \$36 for Merced, \$39 for Modoc, \$40 for Mono, \$31 for Monterey, \$34 for Napa, \$35 for Nevada, \$37 for Orange, \$33 for Placer,

\$40 for Plumas, \$34 for Riverside, \$45 for Sacramento, \$36 for San Benito, \$43 for San Bernardino, \$26 for San Diego, \$31 for San Francisco, \$35 for San Joaquin, \$32 for San Luis Obispo, \$26 for San Mateo, \$31 for Santa Barbara, \$22 for Santa Clara, \$32 for Santa Cruz, \$34 for Shasta, \$40 for Sierra, \$38 for Siskiyou, \$31 for Solano, \$29 for Sonoma, \$34 for Stanislaus, \$36 for Sutter, \$37 for Tehama, \$38 for Trinity, \$35 for Tulare, \$37 for Tuolumne, \$33 for Ventura, \$35 for Yolo and \$36 for Yuba.

For optional medical payments coverage, by county, premiums are currently \$24 for Alameda, \$23 for Alpine, \$25 for Amador, \$23 for Butte, \$22 for Calaveras, \$23 for Colusa, \$22 for Contra Costa, \$22 for Del Norte, \$20 for El Dorado, \$30 for Fresno, \$23 for Glenn, \$22 for Humboldt, \$21 for Imperial, \$22 for Inyo, \$29 for Kern, \$23 for Kings, \$22 for Lake, \$22 for Lassen, \$50 for Los Angeles, \$21 for Madera, \$23 for Marin, \$23 for Mariposa, \$21 for Mendocino, \$23 for Merced, \$24 for Modoc, \$23 for Mono, \$25 for Monterey, \$22 for Napa, \$22 for Nevada, \$27 for Orange, \$21 for Placer, \$22 for Plumas, \$17 for Riverside, \$29 for Sacramento, \$21 for San Benito, \$19 for San Bernardino, \$20 for San Diego, \$30 for San Francisco, \$28 for San Joaquin, \$20 for San Luis Obispo, \$21 for San Mateo, \$22 for Santa Barbara, \$17 for Santa Clara, \$20 for Santa Cruz, \$22 for Shasta, \$23 for Sierra, \$22 for Siskiyou, \$24 for Solano, \$23 for Sonoma, \$24 for Stanislaus, \$25 for Sutter, \$22 for Tehama, \$22 for Trinity, \$21 for Tulare, \$22 for Tuolumne, \$19 for Ventura, \$22 for Yolo and \$26 for Yuba.

In its rate recommendation for 2010, CAARP has proposed to decrease rates for the liability, optional uninsured motorist and medical payments coverages referenced above. On average, CAARP's proposal would lower rates by 2.4%. The Commissioner will consider the current rates and CAARP's rate proposal and hereby invites public input regarding CAARP's proposal. Premium rates are specified in the program's Plan of Operations, approved by the Commissioner. California Code of Regulations, Title 10, Chapter 5, Section 2498.6 references this plan.

#### **AUTHORITY TO ADOPT RATES AND REFERENCE**

Authority for the promulgation of rates is vested in the Insurance Commissioner pursuant to California Insurance Code Sections 11620, 11624, 11629.7, 11629.72, and 11629.79. Premium rates are referenced in Section 27 and Exhibit E of the Program's Plan of Operations. The proposed regulation implements, interprets, and makes specific Insurance Code sections 11629.72 and 11629.79. Government Code Section 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 rates at the following date, time, and place:

**Date and Time:        May 18, 2010  
                                  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 rates prior to the public comment deadline. Comments should be addressed to the contact person for this proceeding:

Bryant Henley, Senior Staff Counsel  
California Department of Insurance  
Legal Division  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, CA 94105  
[henleyb@insurance.ca.gov](mailto:henleyb@insurance.ca.gov)  
Telephone: (916) 492-3558  
Facsimile: (916) 324-1883

The backup agency contact person for this proceeding will be:

Alec Stone, Staff Counsel  
California Department of Insurance  
Legal Division  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, CA 94105  
[stonea@insurance.ca.gov](mailto:stonea@insurance.ca.gov)  
Telephone: (415) 538-4113  
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 May 5, 2010**. 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/POLICY STATEMENT OVERVIEW**

California Insurance Code Sections 11629.7 through 11629.85 establish, within the California Automobile Assigned Risk Plan, established under Section 11620 of the Insurance Code, a statewide Low Cost Automobile Insurance Program.

Because the program is established and administered through the California Automobile Assigned Risk Plan (“CAARP”), CAARP procedures are applied where appropriate and consistent with the low cost automobile insurance statutes. Insurance Code Sections 11620 and 11624 require the Commissioner to hold a public hearing before amending assigned risk plan rates.

Section 11629.7 of the Insurance Code requires that, after a public hearing, the Commissioner shall approve or issue a reasonable plan for the equitable apportionment, among insurers, of eligible consumers. The plan also contains rules and rates. This plan,

approved by the Commissioner, is referenced in Title 10, Section 2498.6 of the California Code of Regulations.

Under the program, the low-cost auto policy satisfies financial responsibility laws and provides coverage of \$10,000 for liability for bodily injury or death to one person, subject to a cumulative limit of \$20,000 for all persons in one accident, and \$3,000 for liability for damage to property. In addition to eligibility and other requirements, the statute sets forth the annual premium rates. In certain cases, surcharges are added to the base rate. The statute also provides procedures for adjusting the rates.

Insurance Code Section 11629.72(c) provides that, annually, CAARP shall submit to the Commissioner a proposed rate and surcharge for approval. Accordingly, CAARP has submitted a proposal to maintain current rates for the liability policy and optional coverages and further proposes to maintain the 25 percent surcharge rate. Further details appear in the application on file with the Commissioner, which is available for review as set forth below.

#### **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.

#### **COST OR SAVINGS TO STATE OR LOCAL AGENCIES/SCHOOL DISTRICTS /FEDERAL FUNDING**

The Insurance Commissioner has initially determined that the proposal will not result in any cost or significant savings to any state agency or 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. Nor will the proposal affect federal funding to the state.

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

Because the proposal involves rates for private passenger automobiles, the Insurance 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 Insurance 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.

### **EFFECT ON SMALL BUSINESSES**

The Insurance Commissioner has initially determined that the proposal will have minimal, if any, effect on small businesses and invites comments.

### **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.

The agency invites interested persons to present statements or arguments with respect to the proposed rate, or other alternatives, at the scheduled hearing or during the written comment period.

### **PLAIN ENGLISH**

The rate application describing the proposal is in plain English. However, the application itself is based on technical actuarial principles.

### **TEXT AND INITIAL STATEMENT OF REASONS**

The Department has prepared an Initial Statement of Reasons addressing the rate proposal, in addition to the Informative Digest included in this notice. The Initial Statement of Reasons, the text of regulations, and all the information upon which this proposal is based are available for inspection or copying, and will be provided at no charge upon request to a contact person listed above. Further details of CAARP's rate application are on file with the Commissioner and available for review as set forth below.

## **QUESTIONS REGARDING REGULATIONS / ACCESS TO RULEMAKING FILE**

Any interested person may inspect a copy of the proposed rate application. **By prior appointment**, CAARP's Low Cost Automobile rate application is available for inspection at the public viewing rooms at 45 Fremont Street, 22nd Floor, San Francisco, California 94105 by calling (415) 538-4300, and at the Ronald Reagan State Building, 300 South Spring Street, Los Angeles, CA 90013 by calling (213) 346-6707 between the hours of 9:00 a.m. and 4:30 p.m. Monday through Friday. Interested persons may direct questions about the proposed rate application, 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, 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.

## **AVAILABILITY OF MODIFIED TEXT OF REGULATION**

In response to public comment, the Commissioner may determine that changes to the proposal are appropriate. If those changes are sufficiently related to the original text that the public had adequate notice of the proposal, as amended, copies of the amended text will be sent to all persons who testified or presented comments at the public hearing or submitted written comments during the comment period, and to anyone who requested information regarding the proposal. Thereafter, the Commissioner will accept written comments, arguments, evidence and testimony, concerning the changes only, for a period of at least 15 days prior to adoption.

## **FINAL STATEMENT OF REASONS**

Once prepared, the Final Statement of Reasons will be made available through the contact persons listed above.

## **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**

Documents concerning this proceeding are available on the Department's website. To access them, go to <http://www.insurance.ca.gov>. On the right-hand column of the page, click the drop-down menu under the heading 'For Insurers.' In this section, scroll down until you see the subheading 'Regulations.' Below this subheading, click on the 'Proposed Regulations' link and then click on the 'Search for Proposed Regulations' link. When the 'Search or Browse for Documents for Proposed Regulations' screen appears, you may choose to find the documents either by conducting a search or by browsing for them by name.

To search, enter "REG-2010-00002" (the Department's regulation file number for these regulations) in the 'Search for' field. Alternatively, search using as your search term the California Insurance Code number of a code section that the regulations implement (for instance, "11624"), or search by keyword ("low cost," for example). Then, click on the 'Submit' button to display links to the various filing documents.

To browse, click on the 'Browse All Regulations' button near the bottom of the screen. A list of the names of regulations for which documents are posted will appear. Find in the list the 'Statistical Plan Enforcement Remedies' link, and click it. Links to the documents associated with these regulations will then be displayed.

**STEVE POIZNER**  
Insurance Commissioner

Dated: March 9, 2010

By:           /s/    
Bryant Henley  
Senior Staff Counsel