

STATE OF CALIFORNIA

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

REG-2008-00026

July 9, 2010

15 DAY NOTICE OF TEXT

Proposed Amendments to CAARP Plan of Operations

Pursuant to the requirements of Government Code section 11346.8(c), and section 44 of Title 1 of the California Code of Regulations, the California Department of Insurance is providing notice of changes made to the proposed **REG-2008-00026 CAARP Proposed Amendments to Sections 23 and 41** which were the subject of a regulatory hearing on September 22, 2009. The original Initial Statement of Reasons failed to meet the necessity standards set out in Government Code Section 11349(a). Although there have been no changes to the proposed regulations since the original notice the updated original Initial Statement of Reasons now meet the standard of Government Code Section 11349(a).

PUBLIC COMMENT INVITED:

Comments submitted on unchanged portions of the proposed regulations will not be considered. The Commissioner believes the changes made are sufficiently related to the original text that the public was adequately placed on notice that the change could result from the originally proposed regulatory action.

A copy of the proposed changes clearly indicated, will be available for public comment and inspection for at least 15 days. Deletions are indicated in **strikethrough**; **additions are underlined**. These documents may be inspected between the hours of 9:00 a.m. and 4:00 p.m. at the address identified below, by arrangement with one of the contact persons listed below.

CONTACT PERSONS:

All written comments submitted in response to this Notice and all general or substantive questions regarding this Notice should be directed to either of the contact persons as follows:

Michael Riordan, Staff Counsel (415) 538-4226 or
Bryant Henley Senior Staff Counsel (415) 538-4111
California Department of Insurance
45 Fremont Street, 21st Floor
San Francisco, CA 94105

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SUBMISSION OF WRITTEN COMMENTS:

All written comments on the changes must be received by the Insurance Commissioner, at the address listed above, no later than **5:00 p.m. on August 3, 2010**. Comments submitted by e-mail and facsimile will be accepted and considered.

AUTOMATIC MAILING:

A copy of this notice, together with the text of the proposed regulations and the updated Initial Statement of Reasons will automatically be re-sent to everyone that received the original notice.

Steve Poizner
Insurance Commissioner

By: _____ /S/ _____

Mike Riordan
Staff Counsel

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

REG-2008-00026
CA 08-11

July 9, 2010

UPDATED 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.

In addition to the changes that were made available for public consideration, changes have been made which are either solely grammatical in nature, or which clarify without materially altering the requirements, rights, responsibilities, conditions or prescriptions contained in the original text. In accordance with Government Code section 11346.8(c) and California Code of Regulations, title 1, section 40, these changes were not presented to the public for consideration due to the nonsubstantial nature of the change.

With the exception of the grammatical and nonsubstantial changes, each of the changes referenced above are described below in the same order as those changes appear in the regulation. Grammatical changes, the purpose of which will be readily apparent within the body of the regulation itself, have not been separately identified.

NECESSITY OF REGULATION

The Electronic Application Submission Interface ("EASi") is an online application to allow certified producers to submit applications via the internet. By submitting the application via EASi allows applicants to receive immediate coverage and eliminates errors that could delay coverage and in some cases deny coverage leading to applicants driving without insurance. When the EASi application was introduced for private passenger and commercial Plan risks, CAARP adopted the format of the countrywide EASi application for California. At that time, the Application Requirements sections of the personal and commercial auto parts of the Plan of Operations were not updated to correspond with the new EASi application. This was brought to CAARP's attention during a field rating and underwriting examination conducted by the California Department of Insurance ("Department"). The Department found that the EASi application, amended, deleted and added several provisions that were not included in the Plan of Operations. The proposed changes are necessary to update the Plan of Operations to coordinate with information requested on the EASi private passenger and commercial application and to satisfy the Department's examination findings.

ORIGINAL CHANGES TO PROPOSED TEXT

SECTION 23

Section 23.A.5 is amended to delete a reference to the employer's telephone number. A field for telephone number does not appear on the EASi private passenger application nor does it factor into premium development or eligibility. This amendment is necessary to ensure continuity between the Plan of Operations and the application.

Section 23.A.6 amends the vehicle information request to include whether the vehicles that are to be insured are new or used. This allows the CAARP to ensure that any assigned vehicle is rated correctly. This is necessary because CAARP does not offer physical damage coverage. However if a vehicle is garaged in another state that offers physical damage coverage CAARP would need the information in order to protect itself in case of a claim.

Section 23.A.15 is introduced requesting information pertaining to the total deposit amount received from the insured and the method of payment. This reflects an approved (July 2008) requirement that was added in response to complaints from insureds and certified producers that the deposit was not being credited correctly. This is necessary because in the past certified producers were accused of taking the down payment but not sending the full amount, along with the application, to CAARP. CAARP was limited in its ability to investigate the claims because of a lack of evidence. The change requires the application to reflect the deposit amount, method of payment, if a receipt was issued and the number if a check or money order was submitted by the applicant.

Section 23.A.22 is amended to grammatically clarify a misinterpretation of a term on the application. It was pointed out that on the application "last auto insurer" had been literally interpreted to mean that this was to be the last insurer that the applicant will ever have. That led to applicant's providing inaccurate information delaying coverage. The application was changed to state "latest auto insurer" in order to avoid confusion and avoid a delay in coverage. The change is necessary to ensure continuity between the Plan of Operations and the application.

SECTION 41

Section 41.A.18 is introduced requesting information pertaining to the total deposit amount received from the insured and the method of payment. This reflects an approved (July 2008) requirement that was added in response to complaints from insured's and certified producers that the deposit was not being credited correctly. This is necessary because in the past certified producers were accused of taking the down payment but not sending the full amount, along with the application, to CAARP. CAARP was limited in its ability to investigate the claims because of a lack of evidence. The change requires the application to reflect the deposit amount, method of payment, if a receipt was issued and the number if a check or money order was submitted by the applicant.

Section 41.A.19 is amended to grammatically clarify a misinterpretation of a term on the application. It was pointed out that on the application last auto insurer had been misinterpreted

that lead to applicant providing inaccurate information delaying coverage. In order to avoid confusion and avoid a delay in coverage the application was changed. It is necessary to ensure continuity between the Plan of Operations and the application and that the applicant understands that the insurer is the latest one that provided coverage for the applicant.

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.

Sec. 23 APPLICATION REQUIREMENTS

Paragraph A is amended as follows:

A. Application Information

The applicant shall provide underwriting and other information required on the application. The application shall request the following information:

1. Last name, first name, middle name, or initial of the named insured
2. Residence address (street number, street name, apartment number, city, state, zip code) and telephone number (including area code), if any
3. Mailing address if different from residence
4. Occupation and length of time at current employer
5. Employer name (or D.B.A.) street number, street name, suite number, city, state, and zip code, and business telephone number, if any
6. Vehicle year, make, model, and vehicle identification number, and whether new or used
7. State registered and registered owner's name
8. If uninsured motorist property damage coverage is purchased, information regarding whether there is existing damage to the vehicle
9. Usage of vehicle (pleasure, work, business, or farm) and the number of miles driven to work or school (one way)
10. Garaging address if vehicle not garaged at residence
11. Rating band and rate class for as many vehicles as listed
12. Premium amounts for coverage (listed individually)
13. Total policy premium amount, plus gross deposit amount submitted
14. Selection of payment plan option
15. Total deposit amount received from the applicant, method of payment (if producer's check method by which the applicant paid the producer and whether a receipt was provided to the applicant), and the number of the check or money order submitted
16. ~~15.~~ California driver's license number of all the drivers in the household, and the license number of any driver's license issued by another state within the last 12 months, if any
17. ~~16.~~ Indicate years licensed of all the drivers in the household, and if less than three years indicate the date the license was first issued
18. ~~17.~~ Indicate the individuals in the household who do not drive or are not licensed due to license suspension or revocation;
19. ~~18.~~ Indicate the relationship to applicant, percentage of use of vehicle, birth date, and gender of all licensed drivers in the household
20. ~~19.~~ Martial status, including name of spouse or registered domestic partner if not listed as an additional driver

21. ~~20.~~ Indicate whether applicant is required to file evidence of financial responsibility with the Department of Motor Vehicles and, if so, indicate all information needed to make filing (the name of the individual requiring the filing, the type of filing required, the reason for the filing, and the state where the filing is required)

22. ~~21.~~ Name of the ~~last~~ latest automobile insurer, policy number, termination date, and the reason for termination, if available

23. ~~22.~~ Provide details about all motor vehicle convictions and accidents in the preceding three years involving the applicant and anyone who operates the applicant's vehicle(s)

24. ~~23.~~ If the application is for a nonowner policy, provide all information, including rating band and rate class.

Sec. 41. APPLICATION REQUIREMENTS

Paragraph A is amended as follows:

A. Application Information

The applicant shall provide underwriting and other character information required on the application. The application shall request the following information:

1. Last name, first name, middle name or initial of the named insured
2. D.B.A name, if applicable
3. Address (street number, street name, apartment number, city, state, zip code) and telephone number (including area code), and fax number, if any
4. Social security number and/or tax identification number
5. Mailing address if different from residence
6. Business of the applicant, and/or nature of the operation, including goods transported if any
7. Headquarters of business (if different from above)
8. Whether the applicant is subject to a filing with a government agency, and if so, the type of filing required
9. Whether the applicant is required to file evidence of financial responsibility with the Department of Motor Vehicles, and if so, all information needed to make the filing, (the name of the individual requiring the filing, the type of filing required, the reason for the filing, and the state where the filing is required)
10. Individuals in the household who do not drive or are not license to drive due to license suspension or revocation
11. Name, driver's license number, state licensed, and date of birth of all operators
12. Martial status, including the name of spouse or registered domestic partner if not listed as an additional driver
13. Details about all motor vehicle convictions and accidents in the preceding three years involving the applicant and anyone who operated the applicant's vehicle(s)
14. A vehicle schedule which would include the following:

- a. Vehicle year, make, model, and vehicle identification number
 - b. State registered and registered owner's name
 - c. Garaging address (city, state, zip code)
 - d. Vehicle seating capacity (public autos only)
 - e. Vehicle gross weight (trucks only)
 - f. Vehicle gross combined weight (trucks only)
 - g. Vehicle size ((trucks only)
 - h. Vehicle use (trucks only)
 - i. Vehicle radius of operation
 - j. Vehicle rating territory
15. All coverages required, including any hired auto and/or employers nonownership. (if liability limits exceed minimum limits, indicate requirement)
16. Total policy premium amount, plus gross deposit amount submitted
17. Selection of payment plan option
18. Total deposit amount received from the applicant, method of payment (if producer's check method by which the applicant paid the producer and whether a receipt was provided to the applicant and the number of the check or money order submitted
19. ~~18.~~—Name of the ~~last~~ latest automobile insurer, policy number, termination date, and the reason for termination, if available