

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
300 Capitol Mall, 17th Floor
Sacramento, California 95814**

FINAL STATEMENT OF REASONS

November 22, 2010

REG-2010-00013

AMEND PROCEDURE FOR NONCOMPLIANCE HEARINGS

UPDATED INFORMATIVE DIGEST

There are no changes or amendments to the text of the proposed regulation as originally noticed. There are no changes or amendments to the specific purpose or necessity of the proposed regulation as originally provided in the initial statement of reasons. The initial statement of reasons is herein incorporated by reference. There have been no changes in applicable laws or to the effect of the proposed regulations from the laws and effects described in the Notice of Proposed Regulatory Action. There are no changes or amendments to the original informative digest.

UPDATE OF MATERIAL RELIED UPON

No material other than the summarized public comments and responses, the transcript of the public hearing, and this Final Statement of Reasons has been added to the rulemaking file since the time the rulemaking record was opened, and no additional material has been relied upon.

MANDATE UPON LOCAL AGENCIES AND SCHOOL DISTRICTS

The Department has determined that the proposed regulations will not impose a mandate upon local agencies or school districts.

IMPACT ON SMALL BUSINESS

Regarding the initial determination of whether there may be a significant statewide adverse economic impact directly affecting business, the Department notes that there was a discrepancy between the Notice document and the Initial Statement of Reasons document. While the Notice provided that there may be an impact, the Initial Statement of Reasons' initial determination was that there would be no impact. That discrepancy was the result of an error and both initial determinations should have provided that there may be an impact. Thus, the language in the Notice was correct. The language in the Initial Statement of Reasons should have agreed with

the language in the Notice.

So, while the Notice invited comments or proposals regarding alternatives, the Department received no proposed alternatives that would lessen adverse economic impact on small business. Further, as provided in the Notice, insurers, by statute, are not small businesses and the proposed amendment will not affect small businesses. (Government Code section 11342.610 (b)(2).)

ALTERNATIVES

The Commissioner has determined that there are no alternatives that would be more effective, or as effective and less burdensome to affected persons, than the proposed regulations. In support of this determination is the fact that no such alternatives were suggested during the public comment period, despite the express invitation therefor that was extended in the Notice of Proposed Action.