

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

REG-2009-00025

March 25, 2011

PROPOSED PLAN OF OPERATIONS TEXT¹

CALIFORNIA LOW COST AUTOMOBILE INSURANCE PROGRAM

[Amend the Introduction to read as follows]:

PREAMBLE

THIS CONSTITUTES THE PLAN OF THE INSURANCE COMMISSIONER, PURSUANT TO CALIFORNIA INSURANCE CODE SECTION 11629.7, APPROVING AND ISSUING A REASONABLE PLAN FOR THE EQUITABLE APPORTIONMENT, AMONG INSURERS REQUIRED TO PARTICIPATE IN THE CALIFORNIA AUTOMOBILE ASSIGNED RISK PLAN (CAARP) ESTABLISHED UNDER CALIFORNIA INSURANCE CODE SECTION 11620, OF LOW INCOME GOOD DRIVERS IN THE STATE WHO ARE ELIGIBLE FOR A LOW COST AUTO INSURANCE POLICY.

INTRODUCTION

[The second paragraph is amended as follows:]

The Plan of Operations is divided into ~~five~~six parts as follows:

Part I Definitions

- Plan terms

Part II Administrative Part

- Administrative rules of the Program

Part III Producer Certification and Performance Standards Part

- How to obtain information regarding CAARP producer certification
- Performance standards

Part IV Low Cost Automobile Insurance Part

- Eligibility
- Coverages

¹ The proposed changes amend the California Automobile Insurance Low Cost Program Plan of Operations approved by the Commissioner. Deletions appear in ~~striketrough~~ and additions appear in underline. Words that appear in [brackets] reflect instructions to help the reader to ascertain the specific portion of the Plan of Operations for which a change has been proposed.

- Other applicable provisions

Part V ~~Appendix~~ Guidelines and Rates

- Statistical guidelines
- Income eligibility guidelines
- Vehicle eligibility guidelines
- Rates by county

Part VI Appendix

- Alternate Application Submission Procedures

It is required that users of this Plan read the Definitions in Part I, the Administrative Part in Part II, the Producer Certification and Performance Standards in Part III, ~~and the Low Cost Automobile Insurance Program contained in Part IV, and the Alternate Application Submission Procedures in the Appendix of Part VI.~~ Before submitting an application for coverage, it is strongly recommended that users of this Plan read “How to Submit an Application to the California Low Cost Automobile Insurance Program.”

HOW TO SUBMIT AN APPLICATION TO THE CALIFORNIA LOW COST AUTOMOBILE INSURANCE PROGRAM

HOW, WHEN, AND WHERE

[A new third paragraph is introduced as follows:]

Application to the Low Cost Program may be made by the following methods:

- The Electronic Application Submission Interface (EASi)

To expedite the application submission process, EASi is recommended. The system offers on line completion of the application form, provides immediate binding of coverage, and electronically transmits the application to the Plan Office.

EASi Expedited Application with Electronic Payment Option: The completed original EASi application generated from the system bearing the signatures of the applicant and producer and any supporting documentation are faxed to the Plan Office. Assignment notices will be available electronically for the producer to print, as well as being mailed out to the producer and the insured.

All Other EASi Applications: The producer must mail or deliver the completed original EASi application generated from the system bearing the signatures of the applicant and producer, the deposit check or money order, and any supporting documentation to the Plan Office in accordance with Plan rules.

For further details refer to Section 28.

- Alternate Application Submission Procedures

The following additional application submission methods are available for producers who choose not to use EASi or do not have access to EASi. They are also available for producers using EASi in the event EASi is not available for any reason.

- United States Postal Service Mail or Delivery By Means Other than the United States Postal Service

Using either of these methods, the original application bearing the signatures of the applicant and producer accompanied by the required supporting documentation and the deposit check or money order must be submitted to the Plan. Coverage is effective as of 12:01 A.M. on the date following receipt of the application in the Plan Office unless a future effective date of coverage is requested.

For further details refer to Appendix Section 61.

[The current third paragraph becomes the fourth paragraph and is amended as follows:]

Incomplete applications or requests for changes in the policy that are not readily identifiable to the assigned insurer only delay the processing of Program assignments and endorsements. To expedite the application process and ensure complete application information is provided, the Electronic Application Submission Interface (EASi) is recommended for transmittal of the application to the Plan. An original current LCA application form or the The original application produced by the Electronic Application Submission Interface (EASi) must be used for each submission transmitted using EASi. When the application is made using one of the alternate application submission methods, an original current paper LCA application form must be used for each submission. Copies and facsimiles are not acceptable. Before ~~mailing~~ transmitting the EASi application or forwarding each submission to the Plan Office, please review the application to ensure that you have provided the assigned insurer or Plan with all the information necessary for issuance of the policy or completion of the transaction.

HOW TO APPLY TO THE PROGRAM

[A new second paragraph is introduced as follows:]

The producer may use EASi to submit an application to the Plan Office. However, if the producer does not have access to EASi, or if for any reason EASi is not available, or if the producer chooses not to use EASi, applications may be submitted using the Alternate Application Submission Procedures contained in the Appendix of this manual.

[The current third paragraph is amended as follows:]

In completing the application the producer must be certain that

[The third bullet is amended as follows:]

- the application contains the requested effective date of coverage. The producer of record and applicant must certify the date and time of coverage on the EASi application. If using the CAARP Electronic Effective Date Procedure (EEDP), the producer of record and applicant must certify the date and time of coverage. The EEDP reference number must appear on the application in the designated area. If using the EASi, the producer of record and applicant must certify the date and time of coverage;

[The eighth bullet is amended as follows:]

- the original application form or the original application produced by EASi or the original plain paper application form is mailed-forwarded to the California Automobile Assigned Risk Plan in accordance with Plan rules applicable to the method of application submission. The effective date

~~and time of coverage may be established electronically by transmitting the application using EASi. The effective date and time of coverage may be established electronically by transmitting the application using EASi. The effective date and time of coverage may be established by telephone using the CAARP EEDP. If application is made without using EEDP or EASi, coverage shall be effective in accordance with the Alternate Application Submission Procedures in Section 61.D.2; on the date following receipt of the application in the Plan Office;~~

[Remainder of this Section unchanged.]

WHAT TO SEND TO THE PLAN

[The first paragraph is deleted in its entirety as follows:]

~~An original completed current LCA application shall be forwarded to the Plan Office no later than two working days after its completion, as evidenced by the postmark of the United States Postal Service.~~

[A new first paragraph is introduced and the current second paragraph is amended as follows:]

EASi Expedited Applications with Electronic Payment Option: The producer shall **fax** the original completed LCA application and required supporting documentation to the Plan Office no later than one working day after transmittal of the EASi application.

Applications should be accompanied by copies of the following documents:

- Applicant's Federal or State Income Tax Return or other income eligibility documentation in accordance with Program rules in Section 23.B.
- Vehicle registration(s) or proof of ownership
- Proof of the value of the vehicle at the time of the application for insurance as evidenced by the vehicle license fee code given to the auto by the Department of Motor Vehicles as shown on the vehicle registration.

All Other Applications: An original completed current LCA application or the application generated by EASi and the deposit shall be forwarded to the Plan Office no later than two working days after its completion, as evidenced by the postmark of the United States Postal Service.

Applications should be accompanied by the following documents:

- Deposit check or money order
- Copies of the following:
 - Applicant's Federal or State Income Tax Return or other income eligibility documentation in accordance with Program rules in Section 23.B.
 - Vehicle registration(s) or proof of ownership
 - Proof of the value of the vehicle at the time of the application for insurance as evidenced by the vehicle license fee code given to the auto by the Department of Motor Vehicles as shown on the vehicle registration.

AVAILABILITY OF APPLICATIONS, FORMS, MANUALS, ETC.

Application forms to be used when applying to the California Automobile Assigned Risk Plan are available at no charge from AIPSO – Mail Order Management Department by calling (401) 942-9799. The following materials are available at no charge:

[The third bullet is amended as follows:]

- Electronic EASi Effective Date Procedure Retraction Request (referenced in CAARP Manual Section 20.A.5 ~~as the form shown in Appendix B~~)

[The fifth bullet is deleted in its entirety as follows:]

- ~~• Electronic Effective Date Procedure Pamphlet (AIP 101 Rev. 01/05), a copy of which is herein incorporated by reference~~

DEFINITIONS

[The following new definitions are introduced as follows:]

“Alternate Application Submission Procedures” means optional methods that may be used by a producer to submit an application if the producer does not have access to EASi or chooses not to use EASi, or if EASi is not available for use. Optional methods for application submission include submission of the application by United States Postal Service mail or delivery by means other than the United States Postal Service.

[The following definition is amended as follows:]

“Electronic Effective Date Procedure” means the Program procedure whereby certified producers may establish the date and time of coverage for California Low Cost Automobile Insurance Program risks by obtaining an electronic reference number ~~by toll free telephone call~~ using the Electronic Application Submission Interface (EASi).

“Electronic Payment” means the optional method for submission of the deposit payment by electronic fund transfer available with the EASi application process.

ADMINISTRATIVE PART

Sec. 8. DETERMINATION AND FULFILLMENT OF PRIVATE PASSENGER NONFLEET LIABILITY LOW COST AUTOMOBILE INSURANCE PROGRAM QUOTAS

[Paragraph A is unchanged. Paragraphs B.1 through B. 3 are amended as follows:]

B. Limited Assignment Distribution Procedure (LAD)

Groups of insurers not under common ownership or management may form a Limited Assignment Distribution (LAD) arrangement. Each LAD arrangement shall have one servicing company which writes LCA business on behalf of those members of the arrangement which choose to buy-out from their LCA quotas.

1. LAD servicing companies are appointed by the Commissioner and must meet and continuously maintain the following eligibility requirements. If at any time, the servicing company does not meet one or more of these eligibility requirements, the servicing company must notify the Plan. These requirements are applicable to the individual insurer that is applying to serve as a LAD servicing company.

a. Write at least .5% of the voluntary private passenger nonfleet liability car years as defined in Section 8.A.1 written in the state of California. If the individual insurer does not meet the .5%

market share requirement and is part of a group of insurers operating in California under common ownership, control, and management, the voluntary private passenger nonfleet liability car years of all insurers in the common ownership, control, and management group combined may be used to fulfill this requirement.

b. Have a statutory capital and surplus of at least \$25,000,000.

c. Have and maintain a net written premium to policyholder surplus ratio that does not exceed 3 to 1.

d. Have maintained an A.M. Best's financial rating of A- or better for a continuous three year period from the most current publication date of an applicant's A.M. Best rating. A financial rating from an alternative rating service cannot be used to fulfill this eligibility requirement.

e. Have been licensed and writing private passenger automobile liability insurance without restriction for a period of at least three years in California.

f. Certify to the Commissioner its ability to (1) comply with the requirements of the Low Cost Program and applicable regulations, and (2) service the LAD contract(s).

2. The Commissioner has the option to consider a LAD servicing company application from an insurer that does not meet the following eligibility criteria:

a. The market share requirement may be waived if the market share of the individual insurer or, if applicable, the combined market share of the group of insurers is less than .5%. However, the insurer or group of insurers must agree to meet the market share eligibility requirement within three years from the date ~~that the~~ insurer becomes a LAD servicing company.

Exception: An insurer appointed and serving as a LAD servicing company at the inception of this LAD program that does not meet the market share eligibility requirement of this LAD program shall agree to meet the market share requirement within three years of the effective date of this Section in order to continue as a LAD servicing company.

~~b. The A.M. Best rating of A- or better may be waived, provided the individual insurer has an A.M. Best rating. Not Rated (NR) shall be considered an A.M. Best rating. An exception to an NR rating may be considered when an NR rating has been given for a change of control or similar situation where financial stability is not an issue.~~

~~e.~~ The three-year period that the insurer must be licensed and writing private passenger automobile liability insurance in the state may be waived. The Advisory Committee may recommend to the Commissioner that an insurer company who does not meet one or more of the eligibility criteria in Sections 8.B.2.a through ~~eb~~ above be appointed as a LAD servicing company.

3. The following LAD servicing company eligibility requirements are not subject to exception in the evaluation of an insurer to serve as a LAD servicing company:

a. The statutory capital and surplus requirement

b. The net written premium to policyholder surplus ratio requirement

c. A financial rating from A.M. Best of A- or better for a continuous three-year period from the most current publication date of the insurer's rating

...

[Paragraph B.6 is amended as follows:]

6. Monitoring Servicing Company Eligibility

The Plan will annually review the eligibility of each servicing company to ~~insure~~ensure it continues to meet eligibility requirements. The Plan may also review the eligibility of a servicing company at any other time that circumstances warrant. Such review may include, but is not limited to, verification of any or all of the eligibility criteria in Section 8.B.1, review of quarterly financial statements filed by the servicing company with the Department of Insurance, and monitoring of the volume of LAD business written in relation to any applicable LCA assignment limitation.

If the Plan determines that a servicing company does not continue to meet one or more of the eligibility requirements in Section 8.B.1, the Plan shall immediately provide written notification to the servicing company and Advisory Committee. If the servicing company advises the Plan that it no longer meets one or more eligibility requirements, the Plan shall verify the information and provide written acknowledgement to the servicing company. The Plan shall immediately advise the Advisory Committee, in writing, that the servicing company no longer meets one or more of the eligibility requirements. The Advisory Committee may recommend to the Commissioner remedies including, but not limited to, providing a period of time to remedy the cause of ineligibility or termination of the LAD servicing company. With the exception of a LAD servicing company who is terminated due to conservation, liquidation, or similar order of the Insurance Department in accordance with Section 8.B.8.a, a terminated servicing company with an A.M. Best financial rating of B or below (including not rated) must enter a LAD buy-out arrangement in accordance with Section 8.B.16.

In the event a LAD servicing company is terminated due to ineligibility or any other cause, the Plan will issue notification to all CAARP subscriber companies advising them of the termination.

[Paragraph B.8.a.(2) is amended as follows:]

8. Termination of LAD Servicing Company

a. Conservation, Liquidation, or Similar Order of the Department of Insurance

If a servicing company is terminated due to conservation, liquidation, or similar order of the Insurance Commissioner, the Advisory Committee and Plan will be guided by the following:

- (2) LCA assignments to the servicing company will be restricted until a specified date. The LCA assignments that would have otherwise gone to the servicing company under the LAD arrangement will be distributed to companies with quotas who are not LAD buy-out companies.

[Paragraph B.8.b.(3) is amended as follows:]

b. Any Other Reason

If a servicing company is terminated for any reason, other than those indicated in Section 8.B.8.a, the Advisory Committee and Plan will be guided by the following:

- (3) The servicing company ~~may~~ has the option to seek a LAD buy-out arrangement for its LCA assignments and in-force LCA policies, unless otherwise directed by the Advisory Committee. A servicing company with an A.M. Best financial rating of B or below (including not rated) must obtain a LAD buy-out arrangement in accordance with Section 8.B.16.

[Current paragraphs B.16 and B.17 are redesignated as paragraphs B.17 and B.18. New paragraph B.16 is proposed as follows:]

16. Subscriber Companies Required to Buy Out

Any subscriber company with an LCA assignment quota who is currently receiving assignments or will receive assignments for the first time that has an A.M. Best rating of B or below (including not rated) and any subscriber company that has been directed to do so by the Commissioner shall enter a LAD arrangement with a servicing company in accordance with the procedure outlined below. For the purposes of this procedure, a terminated LAD servicing company shall be considered a subscriber company.

The Plan shall review, upon release by A.M. Best, the A.M. Best ratings of all subscriber companies for the purpose of identifying those companies, if any, that have an A.M. Best rating of B or below and those companies, if any, that do not have an A.M. Best rating. For purposes of this procedure, the applicable A.M. Best rating for companies shall be the most recent rating available at the time of the Plan's review. The Plan shall promptly provide written notification to any company with an A.M. Best rating of B or below (including not rated) at that time. The Plan's notification shall provide the reason for the requirement that the company enter into a LAD arrangement.

If at any time during a calendar year the A.M. Best rating of a subscriber company with an LCA quota who is subject to this procedure becomes B or below (including not rated), the company shall notify the Plan, in writing, of the change in their financial rating and request information to enter a LAD arrangement. The Plan shall verify the information and provide the company with written acknowledgement that they are subject to the procedure in Section 8.B.16 and must buy out in LAD.

Each Plan letter of notification or acknowledgement shall state that a LAD buy-out contract must be executed within 30 calendar days of the date of the Plan's letter. At the same time, the Plan shall also provide the company with the name, address, and contact person of each servicing company. When entering the LAD arrangement, the company must provide the servicing company with a copy of the Plan's letter and notify the Plan, in writing, that they have obtained a LAD arrangement with a servicing company. Acting on behalf of the subscriber company, the servicing company shall forward a signed buy-out contract to the Plan within 30 calendar days following the date of execution of the buy-out contract.

The LAD buy-out contract shall become effective in accordance with Section 8.B.12. At the discretion of the Advisory Committee, LCA assignments to a subscriber company that has been required to buy out may be suspended until the company is able to negotiate a buy-out contract. Suspension of assignments is subject to confirmation by the Advisory Committee. The buy-out company shall negotiate the buy-out fee with the servicing company.

The Commissioner may direct at any time that a subscriber company buy out in LAD for good cause other than that company's A.M. Best rating or lack thereof. The Plan shall provide written notification to any subscriber company so identified by the Commissioner in the manner outlined above.

Any subscriber company subject to Section 8.B.16 who fails to enter a LAD arrangement and provide the Plan with an executed buy-out contract in accordance with this procedure shall be referred to the Commissioner. If the subscriber company is a terminated LAD servicing company (not subject to Section 8.B.8.a) who has attempted to negotiate a LAD buy-out arrangement with a servicing company and has failed to do so, the matter shall be referred to the Commissioner for consideration.

If a subscriber company with an A.M. Best rating of B or below (including not rated) is part of a group of companies which has a group rating better than B, the Plan shall provide that company with the option of entering a LAD arrangement (including transfer of renewals) or transferring its future LCA assignments and LCA renewals to another company within its own group provided that company has an A.M. Best rating better than B. The subscriber company shall notify the Plan of its selected option within 30 calendar days of the date of the Plan's written notification to the subscriber company.

If the A.M. Best rating of the buy-out company has improved to better than B, it has the option to continue to buy out in LAD under this procedure or to resume writing LCA assignments at the end of the existing LAD buy-out contract term. If the buy-out company elects to terminate its LAD arrangement at the end of the existing buy-out contract term and resume writing LCA assignments, it will be the company's responsibility to notify the Plan. The LAD arrangement must be terminated in accordance with the terms and conditions stated in the buy-out contract.

In the event a subscriber company has been directed by the Commissioner to enter a LAD arrangement for good cause other than the company's A.M. Best rating or lack thereof, the Commissioner shall advise the Plan when that company may resume writing LCA assignments. The Plan shall promptly notify the subscriber company of any change in its status under this procedure. If the subscriber company elects to write its own LCA assignments, the LAD arrangement must be terminated in accordance with the terms and conditions stated in the buy-out contract.

PRODUCER CERTIFICATION AND PERFORMANCE STANDARDS PART

Sec. 20. PERFORMANCE STANDARDS FOR PRODUCERS WRITING CALIFORNIA LOW COST AUTOMOBILE INSURANCE PROGRAM RISKS

A. Original Applications

[A new paragraph A.3 is introduced as follows:]

3. For EASi applications using the electronic payment option, the producer shall print the system generated assignment notice.

[Current paragraph 3 is unchanged and is redesignated as paragraph 4.]

[Paragraph C is amended as follows:]

C. Maintenance of Records

Appropriate records of all telephone calls placed under the EEDP and all electronic applications transmitted under EASi submitted shall be maintained by the producer of record and must be provided upon request in accordance with California Insurance Code Section 11622.5. Such records shall include a log recording all of the following information:

1. The name of the applicant requesting coverage
2. The EEDP or EASi binding reference number
3. The EEDP or EASi binding effective date
4. The time of the binding telephone call for EEDP
5. The time of transmittal of the completed electronic application for EASi
6. The date of mailing of the original signed paper application to the Plan
7. The signing producer's name.

LOW COST AUTOMOBILE PART

Sec. 23. APPLICATION REQUIREMENTS

[The first paragraph is amended as follows:]

Any applicant desiring insurance coverage through this Program shall submit a completed original ~~application form or the original application produced by EASi~~ or a completed original paper application form and the full annual premium or deposit as prescribed in Section 26. The application shall not be a reproduction or a computer produced form other than an original paper application generated by EASi with the original signatures. However, the completed original EASi application form bearing the signatures of the applicant and producer shall be faxed to the Plan when the electronic payment option is used for expedited assignment processing.

[The remainder of Section 23 is unchanged.]

Sec. 26. PREMIUM PAYMENT OPTIONS

[The **first** paragraph is amended as follows:]

The applicant or producer shall submit a separate check or money order payable to the California Automobile Assigned Risk Plan with each application. When the application is transmitted using EASi, an electronic payment option is available in accordance with Plan approved procedures. Payments for renewal insurance policies shall be submitted directly to the assigned insurer. The initial payment shall be in the form of an applicant's check, producer's trust account check, certified check, bank check, or money order or by electronic payment in accordance with Plan approved procedures. The full annual premium payment option, the advance premium payment option, and the installment premium payment options shall be available to applicants.

[Paragraphs D and E are amended as follows:]

D. Deposit, Installment, or Additional Premium Payments Applicable to A, B, or C Above

The deposit accompanying the application shall be by applicant's check, producer's trust account check, certified check, bank check, or money order payable to the California Automobile Assigned Risk Plan. If the application is transmitted using EASi, an electronic payment option is available in accordance with Plan approved procedures. All deposits, installment payments, and additional premium payments must be submitted on a gross basis. No commission shall be withheld by the producer. Producer commission shall be paid in accordance with Section 34.

The ~~Manager-Plan~~ shall immediately return the deposit ~~check~~ if the risk is not assigned. The insurer shall credit the deposit against the gross premium if the risk is assigned. The insurer shall refund any portion of the deposit only as provided in Section 26.E.

Installments and additional premium payments shall be by applicant's check, producer's trust account check, certified check, bank check or money order payable to the assigned insurer.

E. Dishonored Checks

If any check is dishonored or if an electronic payment is dishonored or returned by the bank, the insurer may impose a dishonored check or electronic payment fee of up to \$10, and the ~~Manager-Plan~~ or insurer may require all further payments from that maker to be in the form of a certified check, bank check, or money order, for a period of 12 months from the date the check or electronic payment was dishonored.

Insurers shall notify the ~~Manager-Plan~~ of producers who submit dishonored checks or electronic payments that are dishonored or returned by the bank. The ~~Manager-Plan~~ may require those producers to submit a certified check or money order with future applications.

[Paragraph F.2 is amended as follows:]

F. Premium Owed for Prior Insurance

If an applicant is assigned or reassigned to an insurer and the applicant owes an insurer earned premium for prior Program coverage, the deposit ~~check~~ shall be applied to the earned premium and coverage shall be afforded in accordance with this Section.

2. If the earned premium meets all of the above criteria, the insurer shall proceed as follows:

a. If the deposit ~~premium~~ is insufficient to satisfy the full amount of the outstanding earned premium due for prior Program coverage, the insurer shall apply the deposit ~~check~~ to the prior Low Cost Auto Insurance Policy. The insurer shall return the application to the producer accompanied by a written notice stating the application is ineligible for Program coverage due to the outstanding premium balance. A copy of this notice shall also be provided to the applicant and the Plan. No coverage is in effect.

b. If the deposit is sufficient to satisfy the full amount of the outstanding earned premium due for prior Program coverage, the insurer shall apply the deposit ~~check~~ to the prior Low Cost Auto Insurance Policy. The insurer shall issue a new policy and a cancellation notice for payment of the deposit balance.

Sec. 28. APPLICATION FOR ASSIGNMENT, DESIGNATION OF INSURER, EVIDENCE OF INSURANCE, AND EFFECTIVE DATE OF COVERAGE

A. Verification of Application by Plan

Upon receipt of an application and prior to assignment to an insurer, the ~~Manager-Plan~~ shall verify that the form is properly completed, signed, and dated. In so verifying, the ~~Manager-Plan~~ shall perform all of the following:

[Paragraph A.3.b is amended as follows:]

3. Provide written notice to the applicant and the producer specifying all violations in the application, and requiring correction of those violations within 10 working days of the postmark date of the Plan notice.

...

b. Incomplete Eligibility Documentation

If eligibility documentation is not provided with the application, the application and deposit shall be returned to the producer. Written notice to that effect shall be sent to the applicant and producer. Coverage is void from inception. If the violation is remedied and the application accompanied by the eligibility documentation and deposit ~~check~~ are returned to the Plan postmarked within 10 working days of the postmark date of the Plan notice, the effective date originally requested will be honored.

[Paragraphs B, C, and D are amended as follows:]

B. Designation of Insurer

Upon determination by the Manager Plan that the application has been properly completed, signed, and dated and that the risk is eligible for assignment, the Manager Plan shall designate an insurer to which the application shall be assigned. The Manager Plan shall advise the applicant and producer of the designated insurer and the effective date of coverage.

C. Effective Date of Coverage

For the purposes of Section 28, the postmark which is to be recognized by the Plan Office shall be the postmark of the United States Postal Service. A metered mail postmark or computer generated electronic stamp, or other postage service or stamp shall not be considered a postmark of the United States Postal Service for the purposes of effecting coverage.

The Plan shall provide for effective dates of coverage consistent with all of the following:

1. In no event shall coverage be effective prior to the date and time of completion, signing, and dating of the application forms.

~~2. Electronic Effective Date Procedure (EEDP)~~

~~a. When the applicant requires that coverage be effective immediately, the effective date and time shall be established by telephone by using EEDP.~~

~~The Manager shall establish and maintain a toll-free telephone number as part of the EEDP. The Manager shall maintain sufficient capacity to service, in a timely manner, applications received by means of EEDP.~~

~~EEDP shall be available only to producers who are certified by the Plan.~~

~~b. Immediate Coverage~~

~~Coverage for vehicles shall become effective at the date and time the application is transmitted by telephone through CAARP's EEDP provided all of the following requirements are met:~~

~~(1) The producer shall access the CAARP EEDP within 24 hours of the date and time the application is completed, signed, and dated.~~

~~(2) The producer and the applicant certify under penalty of perjury on the application the date and time that the application forms were completed, signed, and dated.~~

~~(3) The producer uses EEDP set forth in Section 28.C and inserts the EEDP reference number and both the date and time provided by the system in the Proposed Effective Date and Time of Coverage section on the application.~~

~~(4) The application forms, required documentation, and required deposit are mailed to the Manager no later than two working days following the date the application forms are completed, signed, and dated. The mailing date is established by the United States Postal Service postmark on the envelope enclosing the application. If the application and deposit are not mailed to the~~

~~Plan Office in accordance with this subsection, coverage shall be effective at 12:01 A.M. on the day following receipt of the application and deposit by the Plan Office.~~

~~c. Future Effective Date~~

~~The Plan shall establish a future effective date using EEDP. The future effective date option shall be available upon request by an applicant, provided all of the following requirements are met.~~

~~(1) The requested effective date of coverage shall not exceed 45 days from the date of completion of the application.~~

~~(2) The producer and applicant certify under penalty of perjury on the application the date and time that the application forms were completed, signed, and dated.~~

~~(3) The producer uses the EEDP set forth in Section 28.C.2 and inserts the EEDP reference number and both the date and time provided by the system in the Proposed Effective Date and Time section of the application.~~

~~(4) The application forms, required documentation, and required deposit are mailed to the Manager no later than two working days following the date the application forms are completed, signed, and dated. The mailing date is established by the United States Postal Service postmark on the envelope enclosing the application. If the application and the deposit are not mailed to the Plan Office in accordance with this subsection, coverage shall be effective at the future effective date or at 12:01A.M. on the day following receipt of the application and deposit by the Plan Office, whichever is later.~~

~~d. Retraction Procedure~~

~~Following assignment of an EEDP reference number and prior to the mailing of a completed signed application to the Plan, the producer shall be authorized to rescind coverage bound pursuant to EEDP if~~

~~(1) the producer discovers a material error in an application;~~

~~(2) the applicant has notified the producer of record that coverage through the Plan is no longer required; or~~

~~(3) the producer of record has, in error, requested more than one EEDP reference number for the same application.~~

~~The producer of record shall retract or void an unwanted EEDP reference number by completing an Electronic Effective Date Retraction Request Form within 24 hours of when the producer first makes the EEDP phone call. The producer must forward the completed Electronic Effective Date Retraction Request Form to the Plan within the next four days. Failure to mail the retraction form in accordance with this subsection will result in assessment of a violation against the producer if the producer has failed to return such forms at least three times in six months consistent with CAARP Manual Section 20.A.5.~~

32 Electronic Application Submission Interface (EASi)

- a. ~~Producers~~ To expedite the application process, producers who are certified by the CAARP ~~shall have the option to~~ may use EASi to establish the effective date of coverage if the applicant requires that the coverage applied for become effective at the time of application. Coverage will be effective only when the electronic application is transmitted under the procedures established by the Plan.

The ~~Manager-Plan~~ shall establish and maintain a toll free number for producer technical support as part of EASi. The ~~Manager-Plan~~ shall maintain sufficient capacity to provide system access and transmittal, in a timely manner, of completed on line applications by means of EASi.

EASi shall be available only to producers who are certified by the Plan.

The producer may not transmit the application using EASi until the application for coverage has been completed and the deposit has been received.

- b. Immediate Coverage

Coverage shall be effective at the date and time of transmission of the electronic application provided all of the following requirements are met for the EASi option chosen:

(1) Electronic Payment Option

(a) The producer and applicant certify on the application form generated by EASi, under penalty of perjury, the date and time the application was transmitted.

(b) The producer uses EASi set forth in Section 28.C.2.

(c) The completed application form generated by EASi and deposit are electronically transmitted to the Plan Office in accordance with procedures approved by the Plan.

(d) A copy of the completed original signed application form generated by EASi and required documentation are **faxed** to the Plan Office no later than one working day following the date the application and deposit are electronically transmitted to the Plan. If the EASi application and required documentation are not faxed to the Plan Office in accordance with this subsection, coverage shall be effective at 12:01A.M. on the day following receipt of the **faxed** EASi application and documentation by the Plan Office. The date of receipt of the fax in the Plan Office shall be established by the date and time signature of the Plan facsimile on the EASi application and documentation submitted.

(2) Regular Check or Money Order Submission Option

~~(1)~~(a) The producer and applicant certify on the application generated by EASi, under penalty of perjury, the date and time the application was completed, signed, and dated transmitted.

~~(2)~~(b) The producer uses EASi set forth in Section ~~28.C.3~~ 28.C.2.

~~(3)~~(c) The paper application form generated by EASi, required documentation, and required deposit check or money order are mailed to the ~~Manager-Plan Office~~ no later than two working days following the date the application is ~~completed, signed, and dated~~ transmitted to the Plan. The mailing date is established by the United States Postal Service postmark on the envelope enclosing the application. If the paper application, required documentation, and deposit check or money order are not mailed to the Plan Office in accordance with this subsection, coverage shall be effective at 12:01 A.M. on the day following receipt of the paper application and deposit by the Plan Office.

c. Future Effective Date of Coverage

In the event a future effective date of coverage is requested by the producer of record, coverage shall become effective as of 12:01 A.M. on the future date, provided all of the following requirements are met for the EASi method chosen:

(1) Electronic Payment Option

(a) The requested effective date of coverage shall not exceed 45 days from the date of completion of the application.

(b) The producer and applicant certify on the application form generated by EASi, under penalty of perjury, the date and time the application was transmitted.

(c) The producer uses EASi set forth in Section 28.C.2.

(d) The completed application form generated by EASi and premium deposit payment are electronically transmitted to the Plan Office in accordance with procedures approved by the Plan.

(e) A copy of the completed original signed application form generated by EASi and required documentation are **faxed** to the Plan Office no later than one working day following the date the application and deposit are transmitted to the Plan. If the EASi application and required documentation are not faxed to the Plan Office in accordance with this subsection, coverage shall be effective at the future effective date or at 12:01A.M. on the day following receipt of the **faxed** EASi application and documentation by the Plan Office. The date of receipt of the fax in the Plan Office shall be established by the date and time signature of the Plan facsimile on the EASi application and documentation submitted.

(2) Regular Check or Money Order Submission Option

~~(1)~~(a) The requested effective date of coverage shall not exceed 45 days from the date of completion of the application.

~~(2)~~(b) The producer and applicant certify on the application form generated by EASi, under penalty of perjury, the date and time application forms were ~~completed, signed, and dated~~ transmitted.

~~(3)~~(c) The producer uses EASi set forth in Section ~~28.C.3~~ 28.C.2.

~~(4)(d)~~ The paper application form generated by EASi, required documentation, and required deposit check or money order are mailed to the ~~Manager~~ Plan Office no later than two working days following the date the application forms are ~~completed, signed, and dated~~ transmitted to the Plan. The mailing date is established by the United States Postal Service postmark on the envelope enclosing the application. If the paper application, required documentation, and deposit check or money order are not mailed to the Plan Office in accordance with this subsection, coverage shall be effective at the future effective date or at 12:01 A.M. on the day following receipt of the application and deposit by the Plan Office, whichever is later.

d. Retraction Procedure

Following ~~assignment~~ issuance of an EASi reference number and prior to the mailing or faxing of a completed signed application to the Plan, the producer shall be authorized to rescind coverage bound pursuant to EASi if

- (1) the producer discovers a material error in an application;
- (2) the applicant has notified the producer of record that coverage through the Low Cost Program is no longer required; or
- (3) the producer of record has, in error, requested more than one EASi reference number for the same application.

The producer of record shall retract or void an unwanted EASi reference number by completing an ~~Electronic~~ EASi Effective Date Retraction Request Form within 24 hours of the date and time of transmittal of the electronic application to the Plan Office. The producer must forward the completed ~~Electronic~~ EASi Effective Date Retraction Form to the Plan within the next four days. Failure to mail the retraction form in accordance with this subsection will result in assessment of a violation against the producer if the producer has failed to return such forms at least three times in six months consistent with CAARP Manual Section 20.A.5.

If an EASi reference number must be retracted or voided for an application transmitted with the electronic payment option, the deposit will be returned to either the producer's account or the insured's account within five working days following receipt of the completed EASi Effective Date Retraction Request form by the Plan Office, as evidenced by the postmark on the transmittal envelope.

3. Alternate Application Submission Procedures

Additional methods for application submission are available for producers to submit Low Cost applications to the Plan. They may be used when EASi is not available or if the producer does not have access to EASi or if the producer chooses not to use EASi.

Alternate application submission procedures located in the Appendix Part of this Manual include submission of applications by: (1) United States Postal Service mail, and (2) delivery by means other than the United States Postal Service.

Refer to Appendix Part for further details.

- ~~4. If application is made without using EEDP or EASi (including submission by mail or delivery by means other than the United States Postal Service), or if there is not compliance with the provisions of Section 28.C.2.b or Section 28.C.3.b, coverage shall be effective as of 12:01 A.M. on the date following receipt of the paper application in the Plan Office unless a future effective date is requested or an in force policy is terminating.~~
4. If EASi expedited application submission with the electronic payment option does not comply with the provisions of Section 28.C.2.b.(1), coverage shall be effective as of 12:01 A.M. on the date following receipt of the **faxed** EASi application and documentation in the Plan Office unless a future effective date is requested or an in force policy is terminating. For the purpose of this subsection, the date of receipt of the fax in the Plan Office shall be established by the date and time signature of the Plan facsimile on the EASi application and documentation submitted.
- If an EASi application using the regular check submission option does not comply with the provisions of Section 28.C.2.b.(2), coverage shall be effective as of 12:01 A.M. on the date following receipt of the paper application and deposit check or money order in the Plan Office unless a future effective date is requested or an in force policy is terminating.
5. If the applicant desires coverage on a date later than that which would otherwise be fixed pursuant to this Section, the applicant shall indicate that date and the ~~Manager-Plan~~ shall fix the effective date of coverage as of 12:01 A.M. on the desired date of coverage. However, no date shall be later than 45 days after the date of application.
6. In the event there is in force a policy terminating at a date later than the date that would be fixed pursuant to ~~this Sections~~ Sections 28.C.2 through and 28.C.4 and the applicant indicates such date in his application, the ~~Manager-Plan~~ shall fix the date when coverage becomes effective as 12:01 A.M. on the stated termination date of such policy.
7. The effective date of coverage for a replacement vehicle or driver added to an in force policy shall not be subject to the requirements of Sections 28.C.2 ~~through and 28.C.4~~, but shall be governed by the terms of the policy and the provisions of Section 29.
8. In order to provide evidence of a requested effective date, the producer of record shall maintain records in accordance with Section 20.C for all risks for which he or she has designated the time and date of coverage.
9. ~~Where EEDP and When EASi are~~ is disrupted due to failure of transmission or receiving equipment due to fire, earthquake, explosion, civil unrest, or similar disaster or emergency, the producer may bind coverage using one of the Alternate Application Submission Procedures in the Appendix Part of this Manual. ~~up to one day prior to the time the paper application forms and deposit are mailed to the Manager, as established by the United States Postal Service postmark on the envelope in which the application was enclosed. In no event shall coverage be effective prior to the date and time the application is completed, signed, and dated.~~

D. Plan Submission to the Designated Insurer

The ~~Manager-Plan~~ shall forward to the assigned insurer the application, a copy of the notice of the effective date of coverage, and the deposit ~~premium~~ (electronic payment or check or money order) same to be credited by the insurer against the policy premium.

Upon receipt of the application and deposit ~~premium~~ from the Plan and prior to issuance of a policy, the assigned insurer shall review the application and documentation to confirm that the risk is eligible in accordance with Plan rules. If the applicant is found ineligible for coverage within 20 calendar days following the Plan assignment date shown on the notice of effective date of coverage, both the application and ~~premium~~ deposit shall be returned at the same time to the producer, with written notice to that effect within 20 calendar days following the Plan assignment date. Coverage is void from inception. If the risk is found ineligible for coverage due to an outstanding premium balance owed on a prior Low Cost Auto Insurance Policy, the procedures in Section 26.F.2 shall apply.

Secs. 38. – 39. RESERVED FOR FUTURE USE

Secs. 38. – 58 RESERVED FOR FUTURE USE

[The current Appendix is unchanged, except that it is now renamed “Appendix Guidelines and Rates” throughout.]

[A new appendix part is introduced as follows:]

APPENDIX PART

PREFACE

THE ELECTRONIC APPLICATION SUBMISSION INTERFACE (EASi), AUTHORIZED BY THE LOW COST AUTOMOBILE INSURANCE PROGRAM, OFFERS AN ELECTRONIC APPLICATION FORM FOR COMPLETION AND TRANSMITTAL TO THE PLAN OFFICE TO EXPEDITE THE APPLICATION PROCESS. HOWEVER, IN THE EVENT EASi IS NOT AVAILABLE OR IF A PRODUCER DOES NOT HAVE ACCESS TO EASi OR PREFERS TO USE A DIFFERENT APPLICATION SUBMISSION METHOD, THE PRODUCER MUST SUBMIT APPLICATIONS IN ACCORDANCE WITH THE ALTERNATE APPLICATION SUBMISSION PROCEDURES CONTAINED BELOW.

FOR ADDITIONAL INFORMATION AND INSTRUCTIONS RELATING TO THE USE OF THE ALTERNATE APPLICATION SUBMISSION PROCEDURES, PLEASE CONTACT THE FOLLOWING:

CALIFORNIA LOW AUTOMOBILE INSURANCE PROGRAM

TELEPHONE: (800) 622-0954 (Pacific Time)

E-MAIL: www.caarp@aipso.com

Sec. 59. PRODUCER ACCESS TO ALTERNATE APPLICATION SUBMISSION PROCEDURES

Producers who are licensed to transact automobile insurance in California and who are certified by CAARP may utilize the Alternate Application Submission Procedures in accordance with the procedures developed and authorized by the Plan.

Sec. 60. AVAILABILITY OF APPLICATIONS

Plan application forms and the manual are available as indicated in Introduction Section – Availability of Applications, Forms, and Manuals.

Sec. 61. ALTERNATE APPLICATION SUBMISSION PROCEDURES FOR LOW COST AUTOMOBILE INSURANCE PROGRAM APPLICATION SUBMISSION

A. Application Requirements

An applicant desiring insurance coverage through this Program shall submit a completed original paper application form bearing the signatures of the applicant and producer and the full annual premium or deposit as prescribed in Section 26. The application shall not be a reproduction of a computer produced form. The application is subject to the application information, supporting documentation, and applicant signature requirements set forth in Section 23.

B. Verification of Application by Plan

All applications submitted using the alternate application submission procedures shall be subject to Plan procedures for verification of the application in accordance with Section 28.A.

C. Designation of Insurer

The Plan will assign an insurer in accordance with the procedures in Section 28.B.

D. Effective Date of Coverage

For the purposes of Section 61, the postmark which is to be recognized by the Plan Office shall be the postmark of the United States Postal Service. A metered mail postmark or computer generated electronic stamp, or other postage service or stamp shall not be considered a postmark of the United States Postal Service for the purposes of effecting coverage.

The Plan shall provide for effective dates of coverage consistent with all of the following:

1. In no event shall coverage be effective prior to the date and time of completion, signing, and dating of the application forms.

2. Applications Submitted Via the United States Postal Service or Hand Delivered by Other Means

If the application is submitted by United States Postal Service mail or is delivered by means other than the United States Postal Service, coverage shall be effective as of 12:01 A.M. on the date following receipt of the paper application and deposit check or money order in the Plan Office unless a future effective date is requested or an in force policy is terminating.

3. When EASi is disrupted due to failure of transmission or receiving equipment due to fire, earthquake, explosion, civil unrest, or similar disaster or emergency, the producer may bind coverage up to one day prior to the time the paper application forms and deposit are mailed to the Plan, as established by the United States Postal Service postmark on the envelope in which the application was enclosed. In no event shall coverage be effective prior to the date and time the application is completed, signed, and dated.

4. If the applicant desires coverage on a date later than that which would otherwise be fixed pursuant to this Section, the applicant shall indicate that date and the Plan shall fix the effective date of coverage as of 12:01 A.M. on the desired date of coverage. However, no date shall be later than 45 days after the date of application.

5. In the event there is in force a policy terminating at a date later than the date that would be fixed pursuant to Sections 61.D.2 and 61.D.3 and the applicant indicates such date in his application, the Plan shall fix the date when coverage becomes effective as 12:01 A.M. on the stated termination date of such policy.

6. The effective date of coverage for a replacement vehicle or driver added to an in force policy shall not be subject to the requirements of Sections 61.D.2 and 61.D.3, but shall be governed by the terms of the policy and the provisions of Section 29.

7. In order to provide evidence of a requested effective date, the producer of record shall maintain records in accordance with Section 20.C for all risks for which he or she has designated the time and date of coverage.

E. Plan Submission to the Designated Insurer

The Plan shall forward to the assigned insurer the application, a copy of the notice of the effective date of coverage, and the deposit check or money order same to be credited by the insurer against the policy premium.

Upon receipt of the application and deposit from the Plan and prior to issuance of a policy, the insurer shall review the application and documentation to confirm that the risk is eligible in accordance with Plan rules. If the applicant is found ineligible for coverage within 20 calendar days following the Plan assignment date shown on the notice of effective date of coverage, the application and deposit shall be returned to the producer. Written notice to that effect shall be sent to the applicant and the producer. Coverage is void from inception.

F. Financial Responsibility Certificates

If the applicant obtains coverage under the Program, and the applicant or any eligible resident of the same household who usually drives the insured vehicle requires a Financial Responsibility Certificate (Department of Motor Vehicles Form SR-22/SR-1P (Rev. 2/00), the Plan shall, on behalf of the assigned insurer, and at the time the application is received, process the certificate and notify the insurer, producer, and the insured. The filing shall become effective as of the effective date of coverage.

G. Applicant Refusal to Accept Policy

If for any reason the applicant refuses to accept the policy, or coverage is terminated pursuant to Section 33.B, the return premium shall be the pro rata unearned premium for the period of coverage, subject to a minimum premium as set forth in CAARP Manual Section 28.F.

H. Reassignment to Prior Insurer

Applicants to the Program shall be reassigned to the prior assigned insurer if a previous assignment of that applicant was made in the immediately preceding 24 months.

I. Plan Procedures and Performance Standards

Except as otherwise indicated in this Appendix, applications submitted in accordance with this Section are subject to the procedures and performance standards in the Low Cost Program Plan of Operation and the CAARP Plan of Operation.