

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

**REG 2011-00008**  
CA 11-01, 11-03, 11-05, 11-06

**May 12, 2011**

**INITIAL STATEMENT OF REASONS**  
Proposed Amendments to CAARP Simplified Rules and Rates Manual

PURPOSE OF THE REGULATION

Pursuant to California Insurance Code Section 11620 California Insurance Commissioner Dave Jones will hold a public hearing regarding the recommendation of the California Automobile Assigned Risk Plan (“CAARP” or “Plan”) to amend the Simplified Rules and Rates Manual.

NECESSITY OF REGULATION

**CA 11-01 Motorcyclist**

CAARP is proposing a rate decrease for motorcyclists. On average, the rates for motorcyclists will decrease approximately 11% for operators less than 25 years of age and approximately 30% for all others

Rule 28

Rule 28 has been amended. It will allow certified producers to easily calculate premium. Paragraphs C.1, 2 and 3 have been deleted and relabeled Paragraphs B.1, 2. a. b and c. This simplifies rating instruction/factors and reflects the lower rating factors for motorcyclist. Paragraphs D.1 and 2 have been deleted and relabeled paragraphs B.3. a and b. This will simplify the rating instruction/factors. There is also a conversion of the Bodily Injury and Property Damage factor percentage to factors. Paragraph E has been deleted and relabeled B.4.

**CA 11-03 Rating Manual**

With the advent of EASi and Internet-based manuals, the cost-benefit of producing multi-paged payment and rate schedules has diminished. CAARP proposes to amend Rule 21 to provide rating instructions and delete overlapping classifications. Rules 23, 25 and 26 are amended to convert percentages to factors. Rules 27 and 28 are amended to convert percentages to factors and to reflect the revised rating procedure. Rule 29 is deleted. These changes will allow the rating manual to be more intuitive for certified producers and display better on the internet, eliminating confusion when calculating the premium.

### Rule 21

Paragraph A.1 through A.5 have been amended to provide comprehensive rating instructions for developing private passenger liability, uninsured motorist and medical payments premium. A.2 is further amended to delete the instructions for insureds falling to two or more classifications as that language is currently found in the classifications code.

### Rule 23

Paragraphs A.1 and B.1 are amended to simplify the rating instruction/factors for applying a Mature Driver Improvement Course Discount to bodily injury and property damage liability premium and convert percentages into factors.

### Rule 25

Paragraphs A and B are amended to simplify the rating instructions/factors for Extended Nonowned Auto Coverage and convert percentages into factors.

### Rule 26

Paragraph B is amended to convert percentages into factors.

### Rule 27

Paragraphs C, D and E are amended to simplify the rating instructions/factors for Bodily Injury and Property Damage Liability, Uninsured Motorist and Medical Payments. In addition percentages are converted into factors to reflect the revised rating procedure.

### Rule 28

Paragraphs C.1, D and E are amended to simplify the rating instructions/factors for Bodily Injury and Property Damage Liability, Uninsured Motorist and Medical Payments. In addition percentages are converted into factors and reflect the revised rating procedure.

### Rule 29

Has been deleted since the worksheet is no longer necessary.

### **CA 11-05 Named Nonowner**

CAARP currently offers named nonowner liability coverage to individuals who do not own an automobile. CAARP is proposing a rate increase to those policyholders. The proposed rate increases will impact those policyholders whose driver description and usage is classified under Pleasure Use. Policyholders who are rated Male Operator Under 25 Years of Age (Class N3) will see an increase of 30% (.45 to .60). Policyholders who are rated No Male Operator Under 25 Years of Age (Class N4) would see an increase of 100% (.30 to .60).

### Rule 26

Paragraph B is amended to replace the Class N3 and Class N4 percentages with the increased rates.

## **CA 11-06 Zip Codes**

CAARP is proposing to amend the private passenger and commercial auto territory listings (zip codes). Since the last update, the United States Postal Service has added two additional zip codes for the cities of Fresno and Discovery Bay. The proposed changes will reflect the additional zip codes and will have no impact on premium.

### **Private Passenger Territory Definitions and Private Passenger California Territories Displayed In Zip Code Order**

Territory listings by statistical code and zip code have been updated to reflect the new zip codes for Fresno (Fresno County) and Discovery Bay (Contra Costa County).

### **Commercial Territory Definitions By County and Commercial List Of Important Cities And Towns**

The Territory Definitions by County listing have been updated to reflect the new zip code for Fresno County (Fresno Metropolitan Territory). Discovery Bay is included within the Contra Costa Count (Balance) territory definition and a revision is not necessary. The Commercial List of Important Cities is updated to reflect Discovery Bay. Fresno is already included and a revision is not necessary.

## **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.