

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

**NOTICE OF PROPOSED ACTION AND NOTICE OF PUBLIC HEARING  
REGARDING COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE RATES  
FOR THE CALIFORNIA AUTOMOBILE ASSIGNED RISK PLAN**

**REG-2011-00013**

**April xx, 2011**

**SUBJECT OF HEARING**

California's Insurance Commissioner will hold a public hearing to consider the application of the California Automobile Assigned Risk Plan ("CAARP" or "Plan") for approval of increased rates for the five commercial sub-lines for the Commercial Automobile Insurance Procedure ("CAIP").

**AUTHORITY AND REFERENCE TO ADOPT RATES**

The Commissioner will consider the application pursuant to the authority vested in him by Section 11620 of the California Insurance Code. The Commissioner's decision on the application will implement, interpret, or make specific the requirements of Insurance Code Section 11624(e). Government Code §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 application at the following date, time, and place:

\_\_\_\_\_ **at 10:00 a.m.**  
Department of Insurance  
45 Fremont Street 22<sup>nd</sup> Floor Hearing Room  
San Francisco, CA 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 application prior to the public comment deadline. Comments should be addressed to the contact person for this proceeding:

Mike Riordan, Staff Counsel

California Department of Insurance  
Rate Enforcement Bureau  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, CA 94105  
[riordanm@insurance.ca.gov](mailto:riordanm@insurance.ca.gov)  
Telephone: (415) 538-4226  
Facsimile: (415) 904-5490

The backup agency contact person for this proceeding will be:

Bryant Henley, Senior Staff Counsel  
California Department of Insurance  
Rate Enforcement Bureau  
300 Capitol Mall 17<sup>th</sup> Floor  
Sacramento, CA 95814  
[henleyb@insurance.ca.gov](mailto:henleyb@insurance.ca.gov)  
Telephone: (916) 492-3558  
Facsimile: (916) 324-1883

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, \_\_\_\_\_ 2011.** Any written materials received after that time will not be considered. Written comments may also be submitted to the contact person by e-mail or facsimile transmission. Please select only one method to submit written comments.

#### 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  
45 Fremont Street 21st Floor  
San Francisco, CA 94105  
Telephone: (415) 538-4190

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

Pursuant to California Insurance Code Section 11624, the Commissioner establishes rates to be charged to those obtaining commercial automobile coverage through CAIP. Section 11624 provides: “Premium charges for the plan shall not be excessive, inadequate, nor unfairly discriminatory, and shall be actuarially sound so as to result in no subsidy of the plan.” Title 10, California Code of Regulations, §2498.4.9 references the commercial automobile rate manual, which is approved by the Commissioner but not printed in full in the California Code of Regulations.

The Commissioner is holding the hearing referenced above to accept comments on CAARP’s recent rate application. CAARP has proposed rate changes for five CAIP sublines, amounting to an overall average **17.5 percent rate increase**. The five sub-lines are Trucks, Tractor and Trailers; Taxis, Limousines and Van Pools; All Buses Combined; Zone Rated Risks and Employers Non-Ownership Liability. The proposed changes are shown on the attached Explanatory Memorandum. Further details appear in the rate application on file with the Commissioner and 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 application will not result in any new program mandates on local agencies or school districts.

#### MANDATES ON LOCAL AGENCIES OR SCHOOL DISTRICTS OR COSTS WHICH MUST BE REIMBURSED PURSUANT TO GOVERNMENT CODE SECTIONS 17500 THROUGH 17630

The Insurance Commissioner has initially determined that the application will not result in any cost or significant savings 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.

#### COST OR SAVINGS TO ANY STATE AGENCY; FEDERAL FUNDING

The Commissioner has determined that the application will result in no cost or savings to any state agency and no cost or savings in federal funding to the state.

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

CAARP is proposing overall rate increases for Trucks, Tractor and Trailers; Taxis, Limousines and Van Pools; All Buses Combined; Zone Rated Risks and Employers Non-Ownership Liability. Although the number of commercial auto applications placed by CAARP is small the proposed rate changes could have a statewide economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states. The proposed rate changes could also impact on competition or competitiveness. The proposal could also affect the creation or elimination of jobs in California, the creation of new businesses, the elimination of existing businesses, or the expansion of businesses in California. However, California Insurance Code section 11624(e) requires that premium charges for the plan shall be

actuarially sound so as to result in no subsidy of the plan by the voluntary market. Therefore, if and to the extent that CAARP is able to demonstrate that certain existing rates are no longer actuarially sound and that rate increases are warranted, the Commissioner is required to approve increased rates. Of course, the Commissioner also recognizes that section 11624(e) requires that rates not be excessive, and the Commissioner will not approve an increase that results in excessive rates.

#### COST IMPACTS ON PRIVATE PERSONS OR ENTITIES

The Insurance Commissioner has determined that there could be potential cost impacts on businesses directly affected by the proposed rate increases. Although the rate application involves commercial automobile insurance rates, to the extent a rate increase impacts business, it could also impact private persons employed by those businesses. The rate increase could also impact private persons wishing to purchase goods or services from businesses if the price of goods or services is increased to cover the increased cost of insurance coverage.

#### IMPACT ON HOUSING COSTS

The Insurance Commissioner has initially determined that the application will not affect housing costs.

#### IMPACT ON SMALL BUSINESS

The proposed rate changes could affect small businesses.

#### SPECIFIC TECHNOLOGIES OR EQUIPMENT

The application 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 and less burdensome to affected private persons than the proposed action.

#### PLAIN ENGLISH

The 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 proposed rate application in addition to the Informative Digest included in this notice. The Initial Statement of Reasons and this Notice of Proposed Action are available for inspection or copying, and will be provided at no charge upon request to the contact person listed above. Further details on CAARP's proposal are on file with the Commissioner and available for review as set forth below.

#### FINAL STATEMENT OF REASONS

A final statement of reasons will be prepared at the conclusion of this proceeding. Upon written or e-mail request to the contact person listed above, the final statement of reasons will be made available for inspection and copying once it has been prepared. A copy of the final statement of reasons will also be posted on the Department's web site.

ACCESS TO RULEMAKING FILE

Any interested person may inspect a copy of or direct questions about CAARP's 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 Street, 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.

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

The Initial Statement of Reasons, proposed rate application and this Notice of Proposed Action will be published online and may be accessed through the Department's website at [www.insurance.ca.gov](http://www.insurance.ca.gov).

AVAILABILITY OF MODIFIED TEXT OF REGULATIONS

If the Department amends the application with changes that are sufficiently related to the original application, the Department will make the full text of the amended application, with the changes clearly indicated, available to the public for at least 15 days before the date the Department adopts the amended application.

**DAVE JONES**  
Insurance Commissioner

Dated: \_\_\_\_\_, 2011

By: \_\_\_\_\_/s/\_\_\_\_\_  
Mike Riordan  
Staff Counsel