

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

**INITIAL STATEMENT OF REASONS  
REGARDING COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE RATES  
FOR THE CALIFORNIA AUTOMOBILE ASSIGNED RISK PLAN**

**Reg-2011-000013**

**April, xx 2011**

**INTRODUCTION**

California's Insurance Commissioner will consider the application of the California Automobile Assigned Risk Plan ("CAARP") for approval of increased rates for the Commercial Automobile Insurance Procedure ("CAIP") as described below. California Insurance Code Section 11624 requires the Commissioner to set rates for those obtaining coverage through CAIP. Title 10, California Code of Regulations, Section 2498.4.9 references the CAARP Plan of Operations which is approved by the Commissioner but not printed in full in the California Code of Regulations that requires an annual review of the rates and surcharges, and the filing of a rate application when warranted following the review. Accordingly, CAIP has now filed a rate application in which it is proposing an overall average rate increase of 17.5 percent. Further details appear in the application on file with the Commissioner and available for review.

**STATEMENT OF SPECIFIC PURPOSE**

California Insurance Code Section 11624 specifies that "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." CAIP has submitted the rate application to the Commissioner and the Commissioner is holding a hearing on the rate application for the purpose of ensuring that the rates for commercial automobile coverage through CAIP meet these statutory standards. The Commissioner has determined that these actions are reasonably necessary to carry out this purpose.

**IDENTIFICATION OF STUDIES**

The application relies upon the expertise of the technical staff of AIPSO. However, other than the application and accompanying Explanatory Memorandum, no studies have been submitted for this proceeding.

**SPECIFIC TECHNOLOGIES OR EQUIPMENT**

Adoption of the proposed rate change would not mandate the use of specific technologies or equipment.

**REASONABLE ALTERNATIVES**

The Commissioner has not yet identified reasonable alternatives which would be as effective to carry out the statutory mandate and less burdensome to affected persons, including but not limited to affected small businesses. The Commissioner will entertain public comments on

whether a rate change different from that proposed by CAIP would in fact be a reasonable alternative. The Commissioner notes that the application differs in some respects from the Commissioner's determinations in past decisions regarding CAIP rates, and that an application following those determinations would produce a smaller rate increase. A smaller rate increase would lessen any adverse impact on small business.

**SIGNIFICANT ADVERSE ECONOMIC IMPACT ON BUSINESS**

The Commissioner has made an initial determination that the proposed rate increase could have a significant adverse economic impact on business. There are no facts, evidence, documents, testimony, or other evidence that the Department relies upon at this time to support a contrary determination.