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STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE

45 Fremont Street, 21st Floor

San Francisco, CA 94105

RH03030123 November 13, 2006

FINAL STATEMENT OF REASONS

Insurance Mediation Program

INTRODUCTION

The Insurance Commissioner has proposed the amendment of regulations Title 10, Chapter 5, Subchapter 7.6, Article 1, Sections 2696.1 through 2696.8, titled "Insurance Mediation Program." On August 11, 2006 the Commissioner issued a Notice of Proposed Action and Proposed Regulations. Pursuant to the Notice a public hearing on the proposed amendments was noticed for October 10, 2006 with the 45-day comment period ending that date. Four comments were received and no one appeared to testify at the public hearing. In consideration of the written comments the Commissioner proposed changes to the regulations in a Notice of Availability of revised Text dated October 12, 2006. The period for providing written comments on the revised text closed on October 27, 2006. One comment was received to the revised text.

UPDATE OF INITIAL STATEMENT OF REASONS AND INFORMATIVE DIGEST

On October 12, 2006 the Commissioner made available for public comment certain changes to the regulation text as initially proposed. The changes were sufficiently related to the rulemaking as originally noticed such that a reasonable member of the directly affected public could have determined from the original notice that these changes could have resulted. Each substantive change is listed below. The organization of this Update of Initial Statement of Reasons follows the organization of the regulation text as originally noticed to the public on August 11, 2006.

§2696.2 Definitions

§2696.2(m)

This subsection was added to clearly define, in accordance with the statute being implemented, an eligible homeowners loss as a claim that arises under a homeowners insurance policy and that involves a loss due to a fire or for which the Governor has declared a state of emergency pursuant to Section 8558 of the Government Code; or a claim that arises under a policy covering earthquake damage and involves a loss due to an earthquake.

§2696.2(n)

This subsection was added to clearly define, in accordance with the statute being implemented, an eligible automobile collision or automobile physical damage claim as a claim that arises under an automobile collision coverage or automobile physical damage coverage in a policy as defined by Section 660 of the Insurance Code.

One comment was received which indicated that the proposed amendments didn't clearly reflect the language of the statute being implemented. Upon review of the comment the Commissioner added these two subsections to clearly reflect the language of the statute being implemented and to limit the scope of the proposed amendments to that provided by the statute being implemented.

UPDATE OF INFORMATIVE DIGEST

The proposed regulations were revised in response to a comment. There have been no changes in the laws related to the proposed action or to the effect of the proposed regulations from the laws and effects described in the Notice of Proposed Action except as noted below.

The proposed revisions were added to clearly define eligible automobile and homeowners claims subject to mediation in accordance with the statute being implemented.

UPDATE OF MATERIAL RELIED UPON

No material other than that contained in the initial statement of reasons has been relied upon by the Department of Insurance.

MANDATE UPON LOCAL AGENCIES AND SCHOOL DISTRICTS

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

ALTERNATIVES

In response to a comment revisions were made to the initial text. The Commissioner has determined that there are no other 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 other viable alternatives were suggested during the public comment period, despite the express invitation that was extended in the Notice of Proposed Action to comment on alternatives to the regulations.

The proposed amendments will only affect insurance companies and therefore will not affect small businesses.

SUMMARY AND RESPONSE TO PUBLIC COMMENTS

A summary of each written and oral comment, objection and/or recommendation received during the 45-day public comment period and the response to each is attached hereto as Exhibit A. A summary of each written and oral comment, objection and/or recommendation received during the 15-day public comment period and the response to each is attached hereto as Exhibit B. .

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