

[Previous Page](#) [Next Page](#)

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

**RH05047241 January 16, 2007**

**INITIAL STATEMENT OF REASONS**

Proposed Amendments to CAARP Plan of Operations

PURPOSE OF THE REGULATION

Pursuant to California Insurance Code Section 11620 California Insurance Commissioner Steve Poizner will hold a public hearing regarding the recommendation of the California Automobile Assigned Risk Plan ("CAARP" or "Plan") to amend the Plan of Operations.

NECESSITY OF REGULATION

Section 8 will be amended to clarify provisions relating to the termination of the buy-out contract and to include a reference to the quota report;

Section 28 will be amended to clarify procedures for Plan and insurer requests to applicants and producers for information to correct application violations and/or deficiencies;

Section 33 will be amended to clarify the performance standards for insurer requests for information;

Section 37 will be amended to (1) introduce performance standards advising insured the consequences for not providing request underwriting information, and (2) clarify performance standards for insurer requests for the information;

Section 43 will be amended to clarify when hired and nonowned liability coverage must be provided on a commercial auto policy;

A new Section 48 will be introduced to provide consistency to midterm producer changes for commercial risks.

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.

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[Previous Page](#) [Top of Page](#) [Next Page](#)

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