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STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 21st Floor
San Francisco, California 94105

RH06051118 January 16, 2007

INITIAL STATEMENT OF REASONS

Proposed Amendments to the Low Cost Auto 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 Low Cost Automobile (LCA) Insurance Programs Plan of Operations referenced in Title 10, Chapter 5, Section 2498.6 of the California Code of Regulations. The proposed amendments are to Sections 1, 8, 26 and 37 of the LCA Plan of Operations.

NECESSITY OF REGULATION

Amend Plan procedures for Sections 1, 26 and 37 for insurer and servicing carriers handling of premium refunds for low cost auto risks so they comply with AB 1043.

The original \$1 million cap on Low Cost LAD servicing carriers did not attract new companies and may have restricted the original intent by restricting competition. The proposed amendment Section 8 will raise the cap to \$5 million and hopefully increase competition and attract new companies to the Low Cost LAD market place. In addition the current LAD provision for the transfer of the company's book of in force LCA business to the servicing company must be clarified to reflect procedures currently used by servicing companies.

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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