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**NOTICE OF WORKSHOP
REGARDING PROPOSED REGULATION CHANGES
Prior Approval of Insurance Rates**

RH05042749 June 2, 2005

Pursuant to the provisions of California Government Code Section 11346.45, the California Department of Insurance ("Department") is holding a workshop on certain changes to the Department's existing prior approval regulations, as more specifically set forth below.

June 24, 2005 -- 10:30 a.m.

California Department of Insurance

45 Fremont Street, 21st Floor Conference Room

San Francisco, CA 94105

A copy of the changes proposed for discussion at the workshop is attached. Changes are proposed to sections 2642.7, 2644.4, 2644.16, 2644.18, 2644.20, 2644.21, and 2644.23. New sections 2644.24, and 2642.25 are proposed. Proposed additions to the existing regulations are indicated in underline; proposed deletions are indicated in ~~strikeout~~.

The Department contemplates making a number of changes to the regulations set forth at Title 10, California Code of Regulations, Sections 2641.1, *et seq.* To reduce the job to a manageable size, the Department plans to adopt the changes in a series of phases. The proposed changes attached to this Notice represent Phase One of that process.

Following the workshop, the Department will begin the formal regulation adoption process in accordance with the procedures set forth in California Government Code Sections 11346 *et seq.* The Department contemplates holding a regulation adoption hearing on these regulations by this Fall, and anticipates final adoption before the end of the year.

Concurrent with the changes proposed herein, the Department will propose certain changes without regulatory effect to the Office of Administrative Law. These changes update the lines of business set forth in section 2642.7 to conform to the current Annual Statement instructions, update terms such as "allocated loss adjustment expenses" which are no longer used in the Annual Statement, and delete the exceptions for surety and credit in accordance with the Supreme Court's decision in the *Amwest* case.

Following completion of Phase One, the Department intends to propose changes to sections 2642.6 (Recorded Period), 2644.12 (Efficiency Standard), 2644.16 (Rate of Return), and 2644.17 (Leverage Factors). At the same time, the Department contemplates (1) expanding consideration of the cost of reinsurance beyond earthquake to other types of policies such as facultative reinsurance and umbrella policies, (2) adding terrorism as a coverage subject to the regulations, and (3) revising the treatment of aircraft coverage under the regulations. The Department currently anticipates holding a Workshop on

these proposed changes by Spring 2006.

Any questions regarding this Notice should be directed to:

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