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

**RH05047243 January 16, 2007**

**NOTICE OF PROPOSED ACTION AND NOTICE OF PUBLIC HEARING**

**REGARDING REVISIONS TO CALIFORNIA AUTOMOBILE ASSIGNED RISK PLAN**

SUBJECT OF HEARING

California Insurance Commissioner Steve Poizner will hold a public hearing to address the proposed amendments to Section 8 California Automobile Assigned Risk Plan (CAARP) Plan of Operations.

**AUTHORITY TO ADOPT RATES AND PROCEDURES AND REFERENCE**

The Commissioner will consider the proposed addition pursuant to the authority vested in him by California Insurance Code Sections 11620 and 11624. Government Code Sections 11340.9(g) and 11343(a) apply to these proceeds.

HEARING DATE AND LOCATION

Notice is hereby given that a public hearing will be held to permit all interested persons the opportunity to present statements or arguments, orally or in writing, with respect to the proposed changes at the following date, time, and place:

**Date and Time: April 19, 2007**

**10:00 a.m.**

**Location: California Department of Insurance**

**45 Fremont Street**

**22<sup>nd</sup> Floor Hearing Room**

**San Francisco, California 94105**

ACCESS TO HEARING ROOM

The facilities to be used for the public hearing are accessible to persons with mobility impairments.

Persons with sight or hearing impairments are requested to notify the contact person (listed below) for this hearing in order to make special arrangements, if necessary.

WRITTEN AND/OR ORAL COMMENTS: AGENCY CONTACT PERSON

All persons are invited to submit written comments to the Insurance Commissioner on the proposal prior to the public comment deadline. Comments should be addressed to the contact person for this proceeding:

Mike Riordan, Staff Counsel

California Department of Insurance

Rate Enforcement Bureau

45 Fremont Street, 21<sup>st</sup> Floor

San Francisco, CA 94105

[riordanm@insurance.ca.gov](mailto:riordanm@insurance.ca.gov)

Telephone: (415) 538-4226

Facsimile: (415) 904-5490

The backup agency contact person for this proceeding will be:

Elizabeth Mohr, Assistant Chief Counsel

California Department of Insurance

Rate Enforcement Bureau

45 Fremont Street, 21<sup>st</sup> Floor

San Francisco, CA 94105

[mohre@insurance.ca.gov](mailto:mohre@insurance.ca.gov)

Telephone: (415) 538-4112

Facsimile: (415) 904-5490

All persons are invited to present oral and/or written testimony at the scheduled public hearing.

DEADLINE FOR WRITTEN COMMENTS

All written materials, unless submitted at the hearing, must be **received** by the Insurance Commissioner at the address listed above **no later than 5:00 p.m. on April 19, 2007**. Any written materials received

after that time will not be considered. Written comments may also be submitted to the contact person by e-mail and facsimile transmission. Please select only one method to submit written comments.

### ADVOCACY OR WITNESS FEES

Persons or groups representing the interest of consumers may be entitled to reasonable advocacy fees, witness fees, and other reasonable expenses, in accordance with the provisions of California Code of Regulations, Title 10, Sections 2662.1-2662.6 in connection with their participation in this matter. Interested persons must submit a Petition to Participate, as specified in California Code of Regulations, Title 10, Section 2661.4. The Petition to Participate must be submitted to the Commissioner at the Office of the Public Advisor at the following address:

California Department of Insurance

Office of the Public Advisor

300 Capitol Mall, Suite 1700

Sacramento, CA 95814

Telephone: (916) 492-3500

A copy of the Petition to Participate must also be submitted to the contact person for this hearing (listed above). For further information, please contact the Office of the Public Advisor.

### INFORMATIVE DIGEST

Prior to 9/11 the auto residual market did not exclude losses resulting from acts of terrorism. On November 26, 2002 President Bush signed in to law the Terrorism Risk Insurance Act ("TRIA") of 2002. It was a three year program that expired on December 31, 2005. On December 22, 2005 TRIA was extended however it did not include commercial auto and garage. Because the Terrorism Risk Prevention Program has been terminated CAARP proposes an Exclusion of Terrorism endorsement that would provide an exclusion for catastrophic terrorism losses.

The federal Terrorism Risk Insurance Program (TRIP) has been terminated with the respect to commercial auto insurance including garage insurance. ISO has introduced CA 23 84 01 06; the new form provides an exclusion for catastrophic terrorism losses. This exclusion applies to any terrorist act involving a nuclear weapon; or the release of a pathogenic, poisonous, biological or chemical material; or total loss over \$250,000,000; or 50 or more deaths.

Previously, coverage for mobile equipment exposure was excluded under the commercial auto program as such exposure is more appropriately handled under a commercial general liability policy.

CA 20 15 10 01 is currently being used to provide coverage for specified mobile equipment. The form is being withdrawn from use as the operation of such mobile equipment is a commercial general liability exposure.

CA 00 51 12 04 is introduced to provide liability coverage for mobile equipment that meets the requirements for compulsory, financial responsibility or other motor vehicle insurance laws; this form will also avoid a coverage gap due to the withdrawal of CA 20 15 10 01.

### COMPARABLE FEDERAL LAW

There are no comparable existing federal regulations or statutes.

### LOCAL MANDATE DETERMINATION

The Insurance Commissioner has initially determined that the proposal will not result in any new program mandates on local agencies or school districts.

### MANDATES ON LOCAL AGENCIES OR SCHOOL DISTRICTS OR COSTS WHICH MUST BE REIMBURSED PURSUANT TO GOVERNMENT CODE SECTIONS 17500 THROUGH 17630

The Insurance Commissioner has initially determined that the proposal will not result in any cost or significant savings to any local agency or school district for which Part 7 (commencing with Section 17500) of Division 4 of the Government Code would require reimbursement, or in other nondiscretionary costs or savings to local agencies.

### COST OR SAVINGS TO ANY STATE AGENCY; FEDERAL FUNDING

The Commissioner has determined that the proposed regulation will result in no cost or savings to any state agency and no cost or savings in federal funding to the state.

### SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT ON BUSINESSES AND THE ABILITY OF CALIFORNIA BUSINESSES TO COMPETE

The Commissioner has initially determined that the proposal will not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states. This proposal will have no effect on the creation or elimination of jobs in California, the creation of new businesses, the elimination of existing businesses in California, or the expansion of businesses in California.

### COST IMPACT ON PRIVATE PERSONS OR ENTITIES

The agency is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

### IMPACT ON HOUSING COSTS

The Insurance Commissioner has initially determined that the proposal will not affect housing costs.

### IMPACT ON SMALL BUSINESS

The matter proposed herein will affect insurance companies and therefore will not affect small business. (Gov. Code Section 11342.610(b)(2)).

### SPECIFIC TECHNOLOGIES OR EQUIPMENT

The proposal would not mandate the use of specific technologies or equipment.

### ALTERNATIVES

The Insurance Commissioner must determine that no reasonable alternative considered by the agency, or that has otherwise been identified and brought to the attention of the agency, would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action.

#### PLAIN ENGLISH

The proposed changes describing CAARP's proposals are in plain English.

#### TEXT AND INITIAL STATEMENT OF REASONS

The Department has prepared an Initial Statement of Reasons addressing the proposed amendments in addition to the Informative Digest included in this notice. The Initial Statement of Reasons and this Notice of Proposed Action are available for inspection or copying, and will be provided at no charge upon request to the contact person listed above. Further details on CAARP's proposal are on file with the Commissioner and available for review as set forth below.

#### FINAL STATEMENT OF REASONS

A final statement of reasons will be prepared at the conclusion of this proceeding. Upon written or e-mail request to the contact person listed above, the final statement of reasons will be made available for inspection and copying once it has been prepared. A copy of the final statement of reasons will also be posted on the Department's web site.

#### ACCESS TO RULEMAKING FILE

Any interested person may inspect a copy of or direct questions about CAARP's proposed amendments, the statement of reasons, and any supplemental information contained in the rulemaking file by contacting the contact person listed above. **By prior appointment**, the rulemaking file is available for inspection at 45 Fremont Street, 21<sup>st</sup> Floor, San Francisco, California 94105, between the hours of 9:00 a.m. and 4:30 p.m. Monday through Friday.

#### AUTOMATIC MAILING

A copy of this Notice, including the Informative Digest is being sent to all persons on the Insurance Commissioner's mailing list.

#### AVAILABILITY OF DOCUMENTS ON THE INTERNET

The Initial Statement of Reasons, proposed text, and this Notice of Proposed Action will be published online and may be accessed through the Department's website at [www.insurance.ca.gov](http://www.insurance.ca.gov).

#### AVAILABILITY OF MODIFIED TEXT OF REGULATIONS

If the Department amends the proposed regulations with changes that are sufficiently related to the original text, the Department will make the full text of the amended regulations, with the changes clearly indicated, available to the public for at least 15 days before the date the Department adopts the amended regulations.

**STEVE POIZNER**

Insurance Commissioner

Dated: \_\_\_\_\_, 2007 By: \_\_\_/s/ \_\_\_\_\_

Mike Riordan

Staff Counsel

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