

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

**REG-2011-00007
CA 09-07, 11-02, 11-04**

May 12, 2011

**NOTICE OF PROPOSED ACTION AND NOTICE OF PUBLIC HEARING
REVISIONS TO CALIFORNIA AUTOMOBILE ASSIGNED RISK PLAN**

SUBJECT OF HEARING

California Insurance Commissioner Dave Jones will hold a public hearing to address the proposed amendments to Sections 19, 20, 23, 26, 28, 41, 44, 46 and the introduction of Sections 59, 60, 61 and 62 of the California Automobile Assigned Risk Plan (CAARP) Plan of Operations.

AUTHORITY TO ADOPT RULES AND PROCEDURES AND REFERENCE

The Commissioner will consider the proposed changes pursuant to the authority vested in him by Section 11620 of the California Insurance Code. The Commissioner's decision on the proposed changes will implement, interpret, or make specific the requirements of Insurance Code Section 11624(e). Government Code Section 11340.9(g) applies to this proceeding.

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: **Wednesday July 27, 2011
10:00 a.m.**

Location: **California Department of Insurance
45 Fremont Street
22nd 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, 21st Floor
San Francisco, CA 94105
riordanm@insurance.ca.gov
Telephone: (415) 538-4226
Facsimile: (415) 904-5490

The backup agency contact person for this proceeding will be:

Bryant Henley, Senior Staff Counsel
California Department of Insurance
Rate Enforcement Bureau
300 Capitol Mall 17th Floor
Sacramento CA, 95814
henleyb@insurance.ca.gov
Telephone: (916) 492-3558
Facsimile: (916) 324-1883

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, July 27, 2011**. Any written materials received after that time will not be considered. Written comments may also be submitted to the contact person by e-mail or 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
45 Fremont Street 21st Floor
San Francisco, CA 94105
Telephone: (415) 538-4190

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/POLICY STATEMENT OVERVIEW

CA 09-07

The proposed Electronic Application Submission Interface (“EASi”) upgrades will notify a certified producer when an application is incomplete, offer immediate binding of coverage, an optional electronic payment option, and will allow a certified producer to print the assignment notice once it is made. Alternative Application Submission procedures including the United States Postal Service will continue to be available when EASi is unavailable or when a certified producer chooses not to use EASi.

CA 11-02

Currently, CAARP does not require any company receiving assignments and having an A.M. Best rating of B or below (including not rated) to enter into a Limited Assignment Distribution (“LAD”) arrangement. In addition, the Plan does not specifically set forth when the Commissioner can require a company to obtain a LAD arrangement for its new and renewal business. CAARP is proposing to amend the Plan of Operations to require any company receiving assignments, or which will receive assignments for the first time, and which has an A.M Best rating of B or below (including not rated) to enter into LAD arrangement. This proposal will also clarify that the Commissioner has the power to require a company enter into a LAD arrangement when there is cause.

CA 11-04

Currently CAARP’s commercial servicing carriers have no recourse when an insured does not provide a producer of record. Sections 51 and 44 of the Plan of Operations allow for the cancellation of the policy when certain supporting documentation was not provided. It did not, however, provide a remedy when a policyholder failed to submit a producer of record. CAARP is proposing an amendment that will allow the servicing carrier to cancel a policy when the policyholder has failed to identify a producer of record. This will ensure the policyholder, servicing carrier and any drivers that would be impacted will be properly protected.

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

CA-09-07 Consumers using a certified producer who does not file an application via EASi may have an incomplete application submitted. This could cause a delay in coverage.

IMPACT ON HOUSING COSTS

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

IMPACT ON SMALL BUSINESS

A policyholder who does not provide the proper documentation will be cancelled. The policyholder will be without coverage, thus impacting his or her business.

SPECIFIC TECHNOLOGIES OR EQUIPMENT

A certified producer who wishes to participate in the EASi will have to secure an internet connection.

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, 21st 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.

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.

DAVE JONES
Insurance Commissioner

Dated: 6-1, 2011

By: /s/ _____
Mike Riordan
Staff Counsel

