

[Previous Page](#) [Next Page](#)**STATE OF CALIFORNIA****DEPARTMENT OF INSURANCE****45 Fremont Street, 21st Floor****San Francisco, California 94105****REG-2008-00010 July 14, 2008****INITIAL STATEMENT OF REASONS****REGARDING CALIFORNIA LOW COST AUTOMOBILE INSURANCE RATES****INTRODUCTION**

California Insurance Commissioner Steve Poizner will hold a public hearing to consider rates for the California Low Cost Automobile Insurance program. The date, time and location for the public hearing, as well as applicable contact information, are set forth in the Notice of Proposed Action for this rulemaking matter.

California Insurance Code section 11629.72(c) provides that, annually, CAARP shall submit a proposed rate and surcharge to the Commissioner for approval. The CAARP annual Low Cost Automobile rate proposal for 2008 proposes an increase in rates of 8.8%, on average, for the liability policy and optional coverages. CAARP also proposes to maintain the current 25 percent surcharge for certain drivers. The details of the proposed rate increase, including a breakdown by county, appear in the application on file with the Commissioner and are available for review.

STATEMENT OF SPECIFIC PURPOSE AND NECESSITY FOR REGULATIONS

California Insurance Code sections 11629.7 through 11629.85 require, within the California Automobile Assigned Risk Plan established under section 11620, a statewide low-cost automobile insurance program. Because the program is established and administered through CAARP, CAARP procedures are applied where appropriate and consistent with the low cost automobile insurance statutes. Insurance Code sections 11620 and 11624 require the Commissioner to hold a public hearing before amending assigned risk plan rates.

California Insurance Code section 11629.72(c) requires that, annually, CAARP submit to the Commissioner loss and expense data, together with a proposed rate and surcharge for approval. CAARP has proposed an 8.8% average rate increase for the low-cost automobile insurance program. CAARP has further proposed to maintain the 25 percent surcharge for certain drivers.

The rate-setting statutes specify that rates shall be sufficient to cover losses incurred under policies issued under the program and expenses. In assessing loss reserves, the Commissioner shall only allow loss reserves estimated from actual losses in the program or comparable data by a licensed statistical agent, adjusted to reflect coverage provided by the program. Rates shall be set so as to result in no subsidy of the program or subsidy of policyholders in one county by policyholders in any of the other counties.

Insurance Code section 11629.7 requires that, after a public hearing, the Commissioner shall approve or issue a reasonable plan for the equitable apportionment, among insurers, of eligible consumers. The plan also contains rules and rates. This plan, approved by the Commissioner, is referenced in Title 10, section 2498.6 of the California Code of Regulations. The proposed amendments to the plan are reasonably necessary to implement, interpret and make specific Insurance Code section 11629.72 by establishing an approved rate for the California Low Cost Automobile Insurance Program. These proposed amendments, by establishing rates for Low Cost Automobile Insurance in each county, fulfill the statutory requirements set forth in section 11629.72.

In accordance with these rate-setting standards, the Commissioner is holding a hearing to consider current rates and CAARP's rate proposal and alternatives.

Additionally, in an effort to reduce the verbiage while enhancing the clarity of the regulations, the Commissioner has proposed changes to the text of section 2498.6. Specifically, the regulations have been revised to remove the detailed description of the history of each revision of the regulations. Revisions are also proposed in order to remove the listing of all 58 California counties and replace that listing with language which makes it clear that the Low Cost Automobile Program is available in every county in the state.

These proposed revisions are reasonably necessary to improve the clarity of the regulations. Because the history of every change to section 2498.6 is listed in the official version of the regulations directly following the regulatory section, there is no need to repeat that history within the regulation text itself. Similarly, now that the Low Cost Automobile Insurance Program is available to policyholders in every California county, it is unnecessary to list each county within the regulations. The proposed revisions, therefore, improve the clarity of the regulations by removing surplus language from the regulation text.

IDENTIFICATION OF STUDIES

CAARP's application relies upon the expertise of CAARP's technical staff. Other than the application and accompanying explanatory memorandum and exhibits, however, no studies have been submitted for this proceeding.

SPECIFIC ACTIONS, PROCEDURES, TECHNOLOGIES OR EQUIPMENT

Adoption of the proposed rate would not mandate the use of specific technologies or equipment.

REASONABLE ALTERNATIVES

The Commissioner has identified no reasonable alternatives to the presently proposed regulations. The Commissioner has determined that no reasonable alternatives exist to carry out the purpose for which the regulations are proposed. Performance standards were considered but were rejected as an unreasonable and impracticable alternative. Nevertheless, 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 rates will not have a significant adverse economic impact on businesses because the rates apply to private passenger automobile policies. The Commissioner invites interested parties to comment on whether the proposed rates will have a significant adverse economic impact on business.

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