

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

**REG-2008-00006**

**August 15, 2008**

**NOTICE OF PROPOSED ACTION AND NOTICE OF PUBLIC HEARING  
REGARDING LOW COST AUTOMOBILE INSURANCE  
PLAN OF OPERATIONS**

**SUBJECT OF HEARING**

California Insurance Commissioner Steve Poizner will hold a public hearing to consider revisions to the California Low Cost Automobile (“CLCA”) Insurance Plan of Operations. The purpose of the revisions is to update the Plan of Operations to make the Plan consistent with existing rules and policies. The CLCA Plan of Operations is approved by the Commissioner and incorporated by reference within California Code of Regulations, Title 10, Chapter 5, Section 2498.6.

**AUTHORITY AND REFERENCE**

The Insurance Commissioner proposes changes to the California Automobile Insurance Low Cost Program Plan of Operations, referenced in Title 10, Chapter 5, Subchapter 3, Article 8, Section 2498.6 of the California Code of Regulations, pursuant to the authority vested in him by California Insurance Code Sections 11620, 11624, 11629.7 and 11629.79. The purpose of these amendments is to implement, interpret, and make specific the provisions of California Insurance Code Sections 1734, 11623.5, 11624.08, 11629.7, and 11629.79.

**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 regulations at the following date, time, and place:

**Date and Time:       October 24, 2008  
                                  10:00 a.m.**

**Location:               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 proposed rates prior to the public comment deadline. Comments should be addressed to the contact person for this proceeding:

Bryant Henley, Senior Staff Counsel  
California Department of Insurance  
Legal Division  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, CA 94105  
[henleyb@insurance.ca.gov](mailto:henleyb@insurance.ca.gov)  
Telephone: (415) 538-4111  
Facsimile: (415) 904-5490

The backup agency contact person for this proceeding will be:

Sara Urakawa, Staff Counsel  
California Department of Insurance  
Rate Enforcement Bureau  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, CA 94105  
[urakawas@insurance.ca.gov](mailto:urakawas@insurance.ca.gov)  
Telephone: (415) 538-4121  
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 October 24, 2008**. 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. Written comments shall be submitted by one method only.

**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**

**SUMMARY OF EXISTING LAW**

California Insurance Code Sections 11629.7 through 11629.85 set forth, within the California Automobile Assigned Risk Plan established under Section 11620 of the Insurance Code, a statewide Low Cost Automobile Insurance Program.

Because the program is established and administered through the California Automobile Assigned Risk Plan (“CAARP”), CAARP procedures are applied where appropriate and consistent with the low cost automobile insurance statutes. Insurance Code Sections 11620, 11624 and 11629.7 require the Commissioner to approve a reasonable plan for the equitable apportionment of persons who are eligible to purchase Low Cost Automobile Insurance.

Under the program, the low-cost auto policy satisfies financial responsibility laws and provides coverage of \$10,000 for liability for bodily injury or death to one person, subject to a cumulative limit of \$20,000 for all persons in one accident, and \$3,000 for liability for damage to property. In addition to eligibility and other requirements, the statute sets forth the annual premium rates. In certain cases, surcharges are added to the base rate. The statute also provides procedures for developing a plan of operations to implement the Low Cost Automobile Insurance Program.

Section 2498.6 of the California Code of Regulations (Title 10, Chapter 5, Subchapter 3) references the separate California Automobile Insurance Low Cost Program Plan of Operations, approved by the Commissioner, and sets forth procedures for obtaining a

copy of the Plan of Operations. The regulation implements, interprets, and makes specific CIC §§ 11629.7-11629.85.

The proposed amendments refer to sections of the Plan of Operations.

**POLICY STATEMENT OVERVIEW**

The proposed amendments to the statutorily required plan are intended to revise, clarify, and, in some cases, rework a number of procedures. The purpose of each of the proposed amendments is to mold the CLCA Plan of Operations into a plan that properly reflects the Commissioner's policies regarding Low Cost Automobile Insurance and also to reflect the most recent changes in existing law.

**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.

**COST OR SAVINGS TO STATE OR LOCAL AGENCIES / SCHOOL DISTRICTS / FEDERAL FUNDING**

The Insurance Commissioner has initially determined that the proposal will not result in any cost or significant savings to any state agency or 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. Nor will the proposal affect federal funding to the state.

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

Because the proposal involves minor changes to the Plan of Operations Manual for Low Cost Automobile Insurance, the Insurance 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 Insurance Commissioner has initially determined that the proposal will not impact businesses or private persons.

### **IMPACT ON HOUSING COSTS**

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

### **EFFECT ON SMALL BUSINESSES**

These proposed regulations may affect small businesses. Insurance companies, however, do not fall within the definition of a small business. (Gov. Code § 1342.610(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 as and less burdensome to affected private persons than the proposed action.

The agency invites interested persons to present statements or arguments with respect to the proposed regulations, or other alternatives, at the scheduled hearing or during the written comment period.

### **BUSINESS REPORTING REQUIREMENT**

The Commissioner finds it is necessary for the health, safety, or welfare of the people of this State that these regulations which require a report apply to businesses.

### **PLAIN ENGLISH**

The text describing the proposal is in plain English.

### **TEXT AND INITIAL STATEMENT OF REASONS**

The Department has prepared an Initial Statement of Reasons addressing the regulations, in addition to the Informative Digest included in this notice. The Initial Statement of Reasons, the text of regulations, and all the information upon which this proposal is based are available for inspection or copying, and will be provided at no charge upon a request made to a contact person listed above.

### **QUESTIONS REGARDING REGULATIONS / ACCESS TO RULEMAKING FILE**

Any interested person may inspect a copy of the proposed rulemaking file. **By prior appointment**, the rulemaking file is available for inspection at the public viewing rooms at 45 Fremont Street, 22nd Floor, San Francisco, California 94105 by calling 415/538-4300, and at the Ronald Reagan State Building, 300 South Spring Street, Los Angeles, CA 90013 by calling 213/346-6707 between the hours of 9:00 a.m. and 4:30 p.m. Monday through Friday. Interested persons may direct questions about the proposed action, 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, 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.

### **AVAILABILITY OF MODIFIED TEXT OF REGULATION**

In response to public comment, the Commissioner may determine that changes to the proposal are appropriate. If those changes are sufficiently related to the original text that the public had adequate notice of the proposal, as amended, copies of the amended text will be sent to all persons who testified or presented comments at the public hearing or submitted written comments during the comment period, and to anyone who requested information regarding the proposal. Thereafter, the Commissioner will accept written comments, arguments, evidence and testimony, concerning the changes only, for a period of at least 15 days prior to adoption.

### **FINAL STATEMENT OF REASONS**

Once prepared, the Final Statement of Reasons will be made available through the contact persons listed above.

### **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**

Documents concerning this proceeding are available on the Department's website. To access them, go to <http://www.insurance.ca.gov>. On the right-hand column of the page, click the drop-down menu under the heading 'For Insurers.' In this section, scroll down until you see the subheading 'Regulations.' Below this subheading, click on the 'Proposed Regulations' link and then click on the 'Search for Proposed Regulations' link. When the 'Search or Browse for Documents for Proposed Regulations' screen appears, you may choose to find the documents either by conducting a search or by browsing for them by name.

To search, enter "REG-2008-00006" (the Department's regulation file number for these regulations) in the 'Search for' field. Alternatively, search using as your search term the California Insurance Code number of a code section that the regulations implement (for instance, "11624"), or search by keyword ("low cost," for example). Then, click on the

'Submit' button to display links to the various filing documents.

To browse, click on the 'Browse All Regulations' button near the bottom of the screen. A list of the names of regulations for which documents are posted will appear. Find in the list the 'Statistical Plan Enforcement Remedies' link, and click it. Links to the documents associated with these regulations will then be displayed.

**STEVE POIZNER**  
Insurance Commissioner

Dated: August 12, 2008.

By:           /S/            
Bryant Henley  
Senior Staff Counsel