

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

REG-2014-00012

July 14, 2014

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

SUBJECT OF HEARING

California Insurance Commissioner Dave Jones will hold a public hearing to address the proposed amendments to the California Automobile Assigned Risk Plan (CAARP) Plan of Operations and Simplified Rules and Rates Manual.

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: September 15, 2014
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:

Michael Riordan, Attorney
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:

Summer Volkmer, Attorney
California Department of Insurance
Rate Enforcement Bureau
45 Fremont Street 21st Floor
San Francisco, CA 94105
volkmers@insurance.ca.gov
Telephone: (415) 538-4169
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, September 15, 2014**. 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-14-02

A.B. 2303 which became effective January 1, 2013 repealed CIC §661(b). This section shall not apply to any policy or coverage that has been in effect less than 60 days at the time notice of cancellation is mailed or delivered by the insurer unless it is a renewal policy. Currently, the cancellation provisions for CAARP reflect the repealed language.

CAARP proposes amending the notice of cancellation requirements to track with the notice of cancellation requirements set forth in CIC §662.

CA-14-03

Due to the emergence of personal vehicle sharing programs exposures not contemplated under the CAARP policy have been introduced.

CAARP proposes excluding any liability, medical payments, uninsured motorists bodily injury, and uninsured motorists property damage coverages afforded under the vehicle owner's CAARP auto policy while the vehicle is used by any person other than the insured or any resident relative, as part of a personal vehicle sharing program.

In addition, vehicles covered under a CAARP policy used as sharing program facilitators will be rated on a, refer to Plan, basis and written through the Commercial Automobile Insurance Procedure in the future.

CA 14-04

Currently, the Plan can suspend a license when the number of violations exceeds 10 percent of the total number of CAARP/LCA applications submitted by the producer in one month. In 1995, this standard was appropriate because of the high volume of applications being submitted. With the lower number of CAARP and LCA applications being submitted this standard is no longer be appropriate. The new procedures will enable the Plan to refer a producer to the Producer Peer Review Subcommittee on a timelier basis.

CAARP proposes a procedure that allows the Plan act in a timelier manner to protect the public. References to specific performance standards for which no more than one violation per application may be assessed have been updated. In addition, the standard used to assess producer performance based on a percentage of CAARP and Low Cost applications submitted in a given month has been deleted.

CA 14-05

CAARP proposes deleting the Automobile Assigned Risk Plan Miscellaneous Vehicle Type Endorsement and replace it with the correct California Joint Ownership Endorsement. When the personal auto policy was introduced in 2001, the Plan's

Miscellaneous Vehicle Type Endorsement was replaced the California Joint Ownership Endorsement. This endorsement was not changed when the CAARP Plan of Operations was updated. The proposed change will reflect the current endorsement in use.

This change has no impact on applicants, insureds, producers, or insurers writing Plan private passenger risks.

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 Insurance Commissioner has initially determined that the proposal will not affect private person or entities.

IMPACT ON HOUSING COSTS

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

IMPACT ON SMALL BUSINESS

The Insurance Commissioner has initially determined that the proposal will not affect small business.

SPECIFIC TECHNOLOGIES OR EQUIPMENT

The Insurance Commissioner has initially determined that specific technologies or equipment will be needed.

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.

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.