

CALIFORNIA AUTOMOBILE ASSIGNED RISK PLAN

Administrators of the California Low Cost Automobile Insurance Program

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EVERYTHING YOU'VE ALWAYS WANTED TO KNOW ABOUT CAIP

1. What is CAIP?

CAIP stands for Commercial Automobile Insurance Procedure. It is a pooling arrangement operated by the Plan under which most commercial risks are assigned to a "servicing carrier" for handling. All insurance companies writing in the State share the losses and expenses.

2. Who are the California CAIP Servicing Carriers?

Responsibility for processing is currently shared by National Continental Insurance Company (Progressive).

3. How are assignments made to these carriers? Can I ask to have my insured placed with a specific carrier?

The Plan assigns CAIP risks in California on a random basis to the CAIP servicing carriers, based on an agreed upon share distribution. See above for the current servicing carrier status.

4. What coverages are available?

Bodily Injury and Property Damage Liability at basic financial responsibility limits for California. Higher limits of liability will be provided only if required by law, i.e. DMV or ICC requirements. If higher limits are required based on any local ordinances, resolutions or law, a copy of such substantiating the need for these limits must be furnished to the servicing carrier. Otherwise, basic limits will be provided.

5. Is Physical Damage available on Commercial Vehicles?

No, physical damage coverage is not available in California.

6. Do the Servicing Carriers provide premium estimates (quotes)?

No, The risk can be rated out of the California Auto Assigned Risk Manual which is available on the Internet at www.aipso.com/ca

7. Where can I get Commercial Assigned Risk Plan Rates?

You can visit the Internet website at www.aipso.com/ca to view the latest CAARP rules and rates and to download all application forms. The Plan Manual is available by accessing the [Electronic Manual link](#) on the website. All applications are located by hitting the [Forms Library](#) link. An electronic subscription service is also available so that all Plan manual changes are emailed when one subscribes to this service. Paper copies of manuals may be obtained by contacting AIPSO's Mail Order Management Department at 401-942-9799, or you can download an order form from the [Forms Library](#)

8. What are the minimum deposit requirements necessary to propose an effective date of coverage?

25% of estimated annual premium or minimum deposit of \$125, \$1,000 or \$2,000 per vehicle, **whichever is greater**. The minimum deposit depends upon the type of risk being insured:

- \$2,000 per power unit for Extra Heavy Trucks & Truck-Tractors
 - *includes all intrastate & interstate truckers.*
- \$1,000 per power unit for all other commercial vehicles
 - *includes light commercial trucks, taxis, limos, vans, etc..*
- \$125.00 per private passenger auto on a commercial policy.

In the event the total deposit is less than the required minimum, notice of cancellation for nonpayment of the shortage necessary to meet the minimum deposit will be issued at the same time the new policy is issued. You can prevent this by quoting assignments in advance and remitting the minimum amount required.

9. I have had applications "rejected" in CAIP. I thought that all assignments were accepted. What are the eligibility rules for CAIP?

On Commercial Risks, the basic eligibility rules apply:

- Increased Limits or Gross Vehicle Weight of 10,000 lbs or more.
- The applicant and any driver must have a valid drivers license. If anyone has a suspended license, coverage will be rejected as ineligible unless the driver is specifically excluded on a "named driver exclusion".
- If the applicant, or anyone who usually drives the motor vehicle, fails to meet their obligations to pay a previous insurer, coverage will be rejected. The servicing carriers confirm prior payment records on all new applicants.

Many commercial risks maintain multi-state locations. The multi-state rule states that in the event an applicant maintains several locations, the state plan in which they are eligible is determined based on the "Headquarters" location. Headquarters are defined as "the chief or usual place of business. It is the head office, the place where the principal officers transact business and the place to which reports are made and from which orders emanate. It is also the place where corporate functions are performed. It is where executive offices are located and corporate decisions made." So, a risk with headquarters in Nevada must apply for coverage in the Nevada Plan. Applicants, who apply under the California Plan because they maintain terminals in California, but are headquartered in Nevada, will be rejected. Once the state plan is established and a policy written, the rules and rates used are those of the state plan in which the vehicles are garaged. To illustrate, when rating a risk headquartered in Nevada, with vehicles in California, Nevada and Kentucky, the risk must apply for coverage in the Nevada Plan. Vehicles are then rated using rules and rates of the California, Nevada and Kentucky Plans respectively.

10. My client needs a DMV or ICC filing in order to continue operation of his business. How quickly are filings made by the servicing carriers?

Plan rules require that the insurance carrier prepare and mail all filings within 2 working days after receipt of notice of assignment. Issuance of filings is a high priority for the servicing carrier(s). Remember, when submitting an application, to send it in well in advance of the expiration date of the filing to allow for mailing time to the Plan, the processing at the Plan Office and subsequent mailing and receipt of the application to the servicing carrier, plus the two working days necessary to issue the filing.

Note: Any filing made will be rejected by the DMV, ICC or PUC if the spelling is incorrect, headquarters address is incorrect, or the filing does not read exactly as found on the individual's permit. ICC filings without the docket number will also be rejected. The policyholder name on the policy must read exactly as that found on the permit.

11. What is the rate of commission on Commercial Risks?

The rate of commission varies. Generally speaking, risks that have trucks that operate over a 50 mile radius and public autos for hire with seating capacity of less than 16 passengers, the commission rate is 5%. For all others, the commission rate is 12%.

12. Are payment plans available on Commercial Risks?

Yes, there are 2 payment options available:

- 5 monthly installments - A service charge of \$4.00 per installment will be made.
- 9 monthly installments - A service charge of \$4.00 per installment will be made.

Note: Premium Financing is also available, however, there are many restrictions in which finance companies are accepted in CAIP. If you are thinking about premium financing, it is advised to contact the Plan office first before completing the paperwork and mailing the application.

13. Must all applications be fully completed? Can I indicate "info to follow"?

All questions found on the Commercial Auto applications are considered material and must be furnished at the time the application is made. Data provided is confirmed using various sources such as Department of Motor Vehicles, PUC records, DOT SAFER site, etc. Any discrepancy can result in delay of processing or a rejection of coverage until resolved.

14. What turnaround should I expect on new business? When should I consider an item overdue?

Plan standards require that all new policies be issued within 30 days of receipt by the servicing carrier. A follow up should be made to the servicing carrier on any new policy not received by that time.

15. What must I send for "change" endorsements?

Currently, there is no standard "change request" form for CAARP. All endorsements must be in the form of a written request and should clearly state what change is to be made, and the requested effective date of the change along with a 25% down payment. Requests via telephone cannot be honored. Faxes are acceptable when there is no premium change, however, the request for change will not be honored until the day after the fax is received. For requests that require an additional deposit, you must mail your request to the servicing carrier with the proper deposit amount. Requests to increase limits over basic must be accompanied by copies of the ordinance, resolution or law that substantiates the requirement. When deleting a vehicle, be sure to include an explanation, i.e. was it sold, dismantled or out of service. Reduction in limits or coverages will not be made if the insurance

carrier has made any DMV, ICC or other financial responsibility filings, unless such filings have canceled. In that event, the reduction will be made effective on the date of cancellation of the DMV/ICC filing. Everything About CAIP Page 4

16. What if I have an Additional Insured Requirement?

Request for additional insureds require the following:

- For each additional insured, the servicing carrier needs to know what their interest is in the insured's operations.
- If these firms require the insured to name them on the policy by virtue of a contract, the servicing carrier will need a copy of the contract to substantiate the same.
- If the contract involves the leasing of equipment by the insured, the servicing carrier will need a copy of the contract along with a schedule of all leased equipment.
- If any of the additional insureds presently maintain ICC or PUC filings, the servicing carrier needs to know the docket/file number of the same.
- The additional insured endorsement does not generate insurance coverage for that party, for who insurance does not already exist under that policy. Therefore, care must be taken when adding the additional interest endorsement to prevent providing the additional interest a false sense of security.

You must indicate on the application any additional insureds or any party requiring a certificate of insurance.

17. My client does not require higher limits because of any law or ordinance, but his contract with his employer requires that he have these limits. Can the Plan provide them?

No. The Assigned Risk Plan is intended to provide the insured only with whatever limits he/she is required to carry in order to satisfy a financial responsibility law or other law. Contractual requirements are the insureds responsibility. In this case, you should obtain the state financial responsibility limits from the Plan and secure an excess policy for the higher limits.

18. Once written, will my CAIP policies be renewed?

The Plan requires that eligible risks be renewed twice. After the three-year term has expired, the risk should canvass the voluntary market before reapplying to the Plan.

19. My client carries passengers for hire and maintains a PUC permit in California. He has vehicles that carry 7 passengers, 14 passengers and 22 passengers. Per PUC rules, each vehicle requires different limits of liability. How will this be handled?

When a single PUC filing is made on the insured's behalf, a single policy is written providing the maximum limits of liability the insured must maintain.ⁱ

ⁱ Rev 03-10