

AMENDED IN ASSEMBLY MARCH 28, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 1180

Introduced by Assembly Member Calderon

February 23, 2001

~~An act to add Article 5.2 (commencing with Section 759) to Chapter 1 of Part 2 of Division 1 of the Insurance Code, relating to insurance. An act to amend Sections 678.1 and 11664 of, and to add Sections 679.7 and 11663.5 to, the Insurance Code, relating to insurance.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1180, as amended, Calderon. ~~Sales of insurance products by depository institutions~~ *Insurance.*

Existing law requires an insurer with respect to commercial insurance, as defined, and workers' compensation insurance to give the insured a written notice of nonrenewal of the policy. Existing law also requires the insurer to provide, upon the request of the insured or the agent or broker of record, a premium and loss history report for the account's tenure or the past 3 years, whichever is shorter, plus loss experience during the current policy year, within 10 business days from the receipt of the request.

This bill would instead require that the insurer provide the premium and loss history report with respect to certain policies of commercial insurance and workers' compensation upon the request of the insured, irrespective of nonrenewal. The bill would also delete the requirement that the insurer furnish the insured with the loss experience during the current policy year.

~~Existing law provides for regulation of insurers by the Insurance Commissioner, and for regulation of financial institutions by the Commissioner of Financial Institutions, and if federally chartered, by certain federal agencies. Existing federal law authorizes the sale of insurance products and annuities through financial institutions.~~

~~This bill would regulate the sale of insurance products or annuities by depository institutions, as defined, and by certain covered persons, would prohibit certain practices in connection with those sales, and would require certain disclosures to consumers with respect to the sale of those products. The bill would authorize the Insurance Commissioner to adopt reasonable regulations necessary to implement these provisions.~~

Vote: majority. Appropriation: no. Fiscal committee: *yes no*. State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1.—Article 5.2 (commencing with Section 759) is~~
2 ~~SECTION 1. Section 678.1 of the Insurance Code is amended~~
3 ~~to read:~~

4 678.1. (a) This section applies only to policies of insurance
5 of commercial insurance that are subject to Sections 675.5 and
6 676.6.

7 (b) A notice of nonrenewal shall be in writing and shall be
8 delivered or mailed to the producer of record and to the named
9 insured at the mailing address shown on the policy. Subdivision (a)
10 of Section 1013 of the Code of Civil Procedure shall be applicable
11 if the notice is mailed.

12 (c) An insurer, at least 60 days, but not more than 120 days, in
13 advance of the end of the policy period, shall give notice of
14 nonrenewal, and the reasons for the nonrenewal, if the insurer
15 intends not to renew the policy, or to condition renewal upon
16 reduction of limits, elimination of coverages, increase in
17 deductibles, or increase of more than 25 percent in the rate upon
18 which the premium is based.

19 (d) If an insurer fails to give timely notice required by
20 subdivision (c), the policy of insurance shall be continued, with no
21 change in its terms or conditions, for a period of 60 days after the
22 insurer gives the notice.



1 (e) With respect to policies defined in subdivision (b) of
2 Section 676.6, in addition to the bases for conditional renewal set
3 forth in subdivision (c), an insurer may also condition renewal
4 upon requirements relating to the underlying policy or policies. If
5 the requirements are not satisfied as of (1) the expiration date of
6 the policy, or (2) 30 days after mailing or delivery of such notice,
7 whichever is later, the conditional renewal notice shall be treated
8 as an effective notice of nonrenewal, providing the insurer has sent
9 written confirmation to the first named insured and the producer
10 of record that the conditions were not met and that coverage ceased
11 at the expiration date shown in the expiring policy.

12 (f) A notice of nonrenewal shall not be required in any of the
13 following situations:

14 (1) The transfer of, or renewal of, a policy without a change in
15 its terms or conditions or the rate on which the premium is based
16 between insurers that are members of the same insurance group.

17 (2) The policy has been extended for 90 days or less, if the
18 notice required in subdivision (c) has been given prior to the
19 extension.

20 (3) The named insured has obtained replacement coverage or
21 has agreed, in writing, within 60 days of the termination of the
22 policy, to obtain that coverage.

23 (4) The policy is for a period of no more than 60 days and the
24 insured is notified at the time of issuance that it may not be
25 renewed.

26 (5) The named insured requests a change in the terms or
27 conditions or risks covered by the policy within 60 days prior to
28 the end of the policy period.

29 (6) The insurer has made a written offer to the insured, within
30 the time period specified in subdivision (c), to renew the policy
31 under changed terms or conditions or at a changed premium rate.
32 As used herein, “terms or conditions” includes, but is not limited
33 to, a reduction in limits, elimination of coverages, or an increase
34 in deductibles.

35 ~~(g) After an insured has received a notice of nonrenewal, upon~~
36 ~~receiving a written request from the insured or the agent or broker~~
37 ~~of record on the nonrenewed policy, an insurer shall provide a~~
38 ~~premium and loss history report for the account’s tenure or the past~~
39 ~~three years, whichever is shorter, plus loss experience during the~~
40 ~~current policy year, within 15 business days of receiving the~~



1 ~~request. This subdivision does not apply to professional liability~~
2 ~~insurance.~~

3 *SEC. 2. Section 679.7 is added to the Insurance Code, to read:*
4 *679.7. (a) Upon receiving a written request from an insured,*
5 *an insurer shall provide a premium and loss history report for the*
6 *account's tenure or the past three years, whichever is shorter. This*
7 *loss history report shall be provided within 10 business days of*
8 *receiving the request.*

9 *(b) This section applies only to policies of commercial*
10 *insurance that are subject to Sections 675.5 and 676.6, except for*
11 *professional liability insurance.*

12 *SEC. 3. Section 11663.5 is added to the Insurance Code, to*
13 *read:*

14 *11663.5. (a) Upon receiving a written request from an*
15 *insured, an insurer shall provide a premium and loss history report*
16 *for the account's tenure or the past three years, whichever is*
17 *shorter. This loss history report shall be provided within 10*
18 *business days of receiving the request.*

19 *(b) This section applies only to workers' compensation*
20 *insurance.*

21 *SEC. 4. Section 11664 of the Insurance Code is amended to*
22 *read:*

23 *11664. (a) This section applies only to policies of workers'*
24 *compensation insurance.*

25 *(b) A notice of nonrenewal shall be in writing and shall be*
26 *delivered or mailed to the producer of record and to the named*
27 *insured at the mailing address shown on the policy. Subdivision (a)*
28 *of Section 1013 of the Code of Civil Procedure shall be applicable*
29 *if the notice is mailed.*

30 *(c) An insurer, at least 30 days, but not more than 120 days, in*
31 *advance of the end of the policy period, shall give notice of*
32 *nonrenewal, and the reasons for the nonrenewal, if the insurer*
33 *intends not to renew the policy.*

34 *(d) If an insurer fails to give timely notice required by*
35 *subdivision (c), the policy of insurance shall be continued, with no*
36 *change in its premium rate, for a period of 60 days after the insurer*
37 *gives the notice.*

38 *(e) A notice of nonrenewal shall not be required in any of the*
39 *following situations:*



1 (1) The transfer of, or renewal of, a policy without a change in
2 its terms or conditions or the rate on which the premium is based
3 between insurers that are members of the same insurance group.

4 (2) The policy has been extended for 90 days or less, if the
5 notice required in subdivision (c) has been given prior to the
6 extension.

7 (3) The named insured has obtained replacement coverage or
8 has agreed, in writing, within 60 days of the termination of the
9 policy, to obtain that coverage.

10 (4) The policy is for a period of no more than 60 days and the
11 insured is notified at the time of issuance that it may not be
12 renewed.

13 (5) The named insured requests a change in the terms or
14 conditions or risks covered by the policy within 60 days prior to
15 the end of the policy period.

16 (6) The insurer has made a written offer to the insured to renew
17 the policy at a premium rate increase of less than 25 percent.

18 (A) If the premium rate in the governing classification for the
19 insured is to be increased 25 percent or greater and the insurer
20 intends to renew the policy, the insurer shall provide a written
21 notice of a renewal offer not less than 30 days prior to the policy
22 renewal date. The governing classification shall be determined by
23 the rules and regulations established in accordance with
24 subdivision (c) of Section 11750.3.

25 (B) For purposes of this section, “premium rate” means the
26 cost of insurance per unit of exposure prior to the application of
27 individual risk variations based on loss or expense considerations
28 such as scheduled rating and experience rating.

29 ~~(f) After an insured has received a notice of nonrenewal, upon
30 receiving a written request from the insured or the agent or broker
31 of record on the nonrenewed policy, an insurer shall provide a
32 premium and loss history report for the account’s tenure or the past
33 three years, whichever is shorter, plus loss experience during the
34 current policy year, within 10 business days of receiving the
35 request.~~



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All matter omitted in this version of the bill appears in the bill as introduced in the Assembly, February 23, 2001 (JR 11)

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