

AMENDED IN ASSEMBLY APRIL 2, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1193**

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**Introduced by Assembly Member Steinberg**  
*(Coauthors: Assembly Members Firebaugh, Pavley, Richman, and Strom-Martin)*  
*(Coauthors: Senators Bowen and Romero)*

February 23, 2001

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An act to amend Section 790.03 of, and to add Section 676.10 to, the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1193, as amended, Steinberg. Insurers: hate crimes: cancellation or refusal to renew.

(1) Existing law provides for regulation of insurers by the Insurance Commissioner. Existing law imposes various limitations on insurers relative to cancellation or nonrenewal of policies protecting against certain residential, liability, and commercial risks.

This bill would provide that an insurer issuing policies protecting against certain residential, liability, and commercial risks may not cancel or refuse to renew a policy solely on the basis that one or more claims has been made against the policy for a loss that is the result of a hate crime committed against the person or property of an insured. This bill would require an insurer to report to the commissioner the cancellation or nonrenewal of a policy subject to these provisions after an insured has submitted a claim to the insurer that is the result of a hate crime, and would require the insurer to provide additional related information to the commissioner.

(2) Existing law provides that certain actions are defined as unfair methods of competition and unfair and deceptive acts or practices in the business of insurance, and specifies certain penalties and powers of the commissioner in this regard.

This bill would provide that a violation of the bill’s requirements would be subject to these provisions.

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

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

1 SECTION 1. Section 676.10 is added to the Insurance Code,  
2 to read:

3 676.10. (a) This section applies to policies covered by  
4 Section 675, 675.5, or 676.5.

5 (b) No insurer issuing policies subject to this section shall  
6 cancel or refuse to renew the policy solely on the basis that one or  
7 more claims has been made against the policy for a loss that is the  
8 result of a hate crime committed against the person or property of  
9 an insured.

10 (c) As used in this section, “hate crime” means ~~any activity~~  
11 ~~defined in or punishable under Section 422.6 of the Penal Code.~~  
12 *to do any of the following:*

13 (1) *By force or threat of force, willfully injure, intimidate,*  
14 *interfere with, oppress, or threaten any other person in the free*  
15 *exercise or enjoyment of any right or privilege secured to him or*  
16 *her by the Constitution or laws of this state or by the Constitution*  
17 *or laws of the United States because of the other person’s race,*  
18 *color, religion, ancestry, national origin, disability, gender, or*  
19 *sexual orientation, or because he or she perceives that the other*  
20 *person has one or more of those characteristics. However, the*  
21 *foregoing offense does not include speech alone, except upon a*  
22 *showing that the speech itself threatened violence against a*  
23 *specific person or group of persons and that the defendant had the*  
24 *apparent ability to carry out the threat.*

25 (2) *Knowingly deface, damage, or destroy the real or personal*  
26 *property of any other person for the purpose of intimidating or*  
27 *interfering with the free exercise or enjoyment of any right or*  
28 *privilege secured to the other person by the Constitution or laws*  
29 *of this state or by the Constitution or laws of the United States,*



1 *because of the other person's race, color, religion, ancestry,*  
2 *national origin, disability, gender, or sexual orientation, or*  
3 *because he or she perceives that the other person has one or more*  
4 *of those characteristics.*

5 (d) Upon cancellation of or refusal to renew a policy subject to  
6 this section after an insured has submitted a claim to the insurer  
7 that is the result of a hate crime committed against the person or  
8 property of the insured, the insurer shall report the cancellation or  
9 nonrenewal to the commissioner and shall provide the  
10 commissioner with any related information required by the  
11 commissioner pursuant to regulations adopted by the  
12 commissioner.

13 (e) A violation of this section shall be an unfair practice subject  
14 to Article 6.5 (commencing with Section 790) of Chapter 1 of  
15 Division 2.

16 SEC. 2. Section 790.03 of the Insurance Code is amended to  
17 read:

18 790.03. The following are hereby defined as unfair methods  
19 of competition and unfair and deceptive acts or practices in the  
20 business of insurance.

21 (a) Making, issuing, circulating, or causing to be made, issued  
22 or circulated, any estimate, illustration, circular or statement  
23 misrepresenting the terms of any policy issued or to be issued or  
24 the benefits or advantages promised thereby or the dividends or  
25 share of the surplus to be received thereon, or making any false or  
26 misleading statement as to the dividends or share of surplus  
27 previously paid on similar policies, or making any misleading  
28 representation or any misrepresentation as to the financial  
29 condition of any insurer, or as to the legal reserve system upon  
30 which any life insurer operates, or using any name or title of any  
31 policy or class of policies misrepresenting the true nature thereof,  
32 or making any misrepresentation to any policyholder insured in  
33 any company for the purpose of inducing or tending to induce such  
34 policyholder to lapse, forfeit, or surrender his or her insurance.

35 (b) Making or disseminating or causing to be made or  
36 disseminated before the public in this state, in any newspaper or  
37 other publication, or any advertising device, or by public outcry or  
38 proclamation, or in any other manner or means whatsoever, any  
39 statement containing any assertion, representation or statement  
40 with respect to the business of insurance or with respect to any



1 person in the conduct of his or her insurance business, which is  
2 untrue, deceptive, or misleading, and which is known, or which by  
3 the exercise of reasonable care should be known, to be untrue,  
4 deceptive, or misleading.

5 (c) Entering into any agreement to commit, or by any concerted  
6 action committing, any act of boycott, coercion or intimidation  
7 resulting in or tending to result in unreasonable restraint of, or  
8 monopoly in, the business of insurance.

9 (d) Filing with any supervisory or other public official, or  
10 making, publishing, disseminating, circulating, or delivering to  
11 any person, or placing before the public, or causing directly or  
12 indirectly, to be made, published, disseminated, circulated,  
13 delivered to any person, or placed before the public any false  
14 statement of financial condition of an insurer with intent to  
15 deceive.

16 (e) Making any false entry in any book, report, or statement of  
17 any insurer with intent to deceive any agent or examiner lawfully  
18 appointed to examine into its condition or into any of its affairs,  
19 or any public official to whom the insurer is required by law to  
20 report, or who has authority by law to examine into its condition  
21 or into any of its affairs, or, with like intent, willfully omitting to  
22 make a true entry of any material fact pertaining to the business of  
23 the insurer in any book, report, or statement of the insurer.

24 (f) Making or permitting any unfair discrimination between  
25 individuals of the same class and equal expectation of life in the  
26 rates charged for any contract of life insurance or of life annuity  
27 or in the dividends or other benefits payable thereon, or in any  
28 other of the terms and conditions of the contract.

29 This subdivision shall be interpreted, for any contract of  
30 ordinary life insurance or individual life annuity applied for and  
31 issued on or after January 1, 1981, to require differentials based  
32 upon the sex of the individual insured or annuitant in the rates or  
33 dividends or benefits, or any combination thereof. This  
34 requirement is satisfied if those differentials are substantially  
35 supported by valid pertinent data segregated by sex, including, but  
36 not necessarily limited to, mortality data segregated by sex.

37 However, for any contract of ordinary life insurance or  
38 individual life annuity applied for and issued on or after January  
39 1, 1981, but before the compliance date, in lieu of those  
40 differentials based on data segregated by sex, rates, or dividends



1 or benefits, or any combination thereof, for ordinary life insurance  
2 or individual life annuity on a female life may be calculated as  
3 follows: (a) according to an age not less than three years nor more  
4 than six years younger than the actual age of the female insured or  
5 female annuitant, in the case of a contract of ordinary life  
6 insurance with a face value greater than five thousand dollars  
7 (\$5,000) or a contract of individual life annuity; and (b) according  
8 to an age not more than six years younger than the actual age of the  
9 female insured, in the case of a contract of ordinary life insurance  
10 with a face value of five thousand dollars (\$5,000) or less.  
11 “Compliance date” as used in this paragraph shall mean the date  
12 or dates established as the operative date or dates by future  
13 amendments to this code directing and authorizing life insurers to  
14 use a mortality table containing mortality data segregated by sex  
15 for the calculation of adjusted premiums and present values for  
16 nonforfeiture benefits and valuation reserves as specified in  
17 Sections 10163.5 and 10489.2 or successor sections.

18 Notwithstanding the provisions of this subdivision, sex based  
19 differentials in rates or dividends or benefits, or any combination  
20 thereof, shall not be required for (1) any contract of life insurance  
21 or life annuity issued pursuant to arrangements which may be  
22 considered terms, conditions, or privileges of employment as these  
23 terms are used in Title VII of the Civil Rights Act of 1964 (Public  
24 Law 88-352), as amended, and (2) tax sheltered annuities for  
25 employees of public schools or of tax exempt organizations  
26 described in Section 501(c)(3) of the Internal Revenue Code.

27 (g) Making or disseminating, or causing to be made or  
28 disseminated, before the public in this state, in any newspaper or  
29 other publication, or any other advertising device, or by public  
30 outcry or proclamation, or in any other manner or means whatever,  
31 whether directly or by implication, any statement that a named  
32 insurer, or named insurers, are members of the California  
33 Insurance Guarantee Association, or insured against insolvency as  
34 defined in Section 119.5. This subdivision shall not be interpreted  
35 to prohibit any activity of the California Insurance Guarantee  
36 Association or the commissioner authorized, directly or by  
37 implication, by Article 14.2 (commencing with Section 1063).

38 (h) Knowingly committing or performing with such frequency  
39 as to indicate a general business practice any of the following  
40 unfair claims settlement practices:



- 1 (1) Misrepresenting to claimants pertinent facts or insurance  
2 policy provisions relating to any coverages at issue.
- 3 (2) Failing to acknowledge and act reasonably promptly upon  
4 communications with respect to claims arising under insurance  
5 policies.
- 6 (3) Failing to adopt and implement reasonable standards for the  
7 prompt investigation and processing of claims arising under  
8 insurance policies.
- 9 (4) Failing to affirm or deny coverage of claims within a  
10 reasonable time after proof of loss requirements have been  
11 completed and submitted by the insured.
- 12 (5) Not attempting in good faith to effectuate prompt, fair, and  
13 equitable settlements of claims in which liability has become  
14 reasonably clear.
- 15 (6) Compelling insureds to institute litigation to recover  
16 amounts due under an insurance policy by offering substantially  
17 less than the amounts ultimately recovered in actions brought by  
18 the insureds, when the insureds have made claims for amounts  
19 reasonably similar to the amounts ultimately recovered.
- 20 (7) Attempting to settle a claim by an insured for less than the  
21 amount to which a reasonable man would have believed he was  
22 entitled by reference to written or printed advertising material  
23 accompanying or made part of an application.
- 24 (8) Attempting to settle claims on the basis of an application  
25 which was altered without notice to, or knowledge or consent of,  
26 the insured, his or her representative, agent, or broker.
- 27 (9) Failing, after payment of a claim, to inform insureds or  
28 beneficiaries, upon request by them, of the coverage under which  
29 payment has been made.
- 30 (10) Making known to insureds or claimants a practice of the  
31 insurer of appealing from arbitration awards in favor of insureds  
32 or claimants for the purpose of compelling them to accept  
33 settlements or compromises less than the amount awarded in  
34 arbitration.
- 35 (11) Delaying the investigation or payment of claims by  
36 requiring an insured, claimant, or the physician of either, to submit  
37 a preliminary claim report, and then requiring the subsequent  
38 submission of formal proof of loss forms, both of which  
39 submissions contain substantially the same information.



1 (12) Failing to settle claims promptly, where liability has  
2 become apparent, under one portion of the insurance policy  
3 coverage in order to influence settlements under other portions of  
4 the insurance policy coverage.

5 (13) Failing to provide promptly a reasonable explanation of  
6 the basis relied on in the insurance policy, in relation to the facts  
7 or applicable law, for the denial of a claim or for the offer of a  
8 compromise settlement.

9 (14) Directly advising a claimant not to obtain the services of  
10 an attorney.

11 (15) Misleading a claimant as to the applicable statute of  
12 limitations.

13 (16) Delaying the payment or provision of hospital, medical, or  
14 surgical benefits for services provided with respect to acquired  
15 immune deficiency syndrome or AIDS-related complex for more  
16 than 60 days after the insurer has received a claim for those  
17 benefits, where the delay in claim payment is for the purpose of  
18 investigating whether the condition preexisted the coverage.  
19 However, this 60-day period shall not include any time during  
20 which the insurer is awaiting a response for relevant medical  
21 information from a health care provider.

22 (i) Canceling or refusing to renew a policy in violation of  
23 Section 676.10.

