

AMENDED IN SENATE APRIL 30, 2007

AMENDED IN SENATE APRIL 9, 2007

SENATE BILL

No. 875

Introduced by Senator Ridley-Thomas

February 23, 2007

An act add ~~Sections 380.3 and 380.4~~ *Section 383.2* to the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 875, as amended, Ridley-Thomas. Insurance premiums: *installment fees.*

Existing law ~~defines the content of automobile~~ *regulates insurers and* insurance policies.

This bill ~~would provide that the term "premium" in automobile insurance policies means the consideration for the transfer of risk provided under the insurance policy. It would provide that "premium" does not mean or include a fee or charge paid under an installment payment option, and that this applies to a flat or interest-based fee however identified or described~~ *authorize automobile or residential property insurers to offer policyholders the option of making installment payments of the premium. The bill would authorize insurers to charge a reasonable fee for administering the installment plan option.*

This bill would expressly provide that an installment fee is not a "premium," and designate this provision as declaratory of existing law.

~~This bill would provide that the above definition is declaratory of existing law.~~

~~This bill would provide that an installment fee in an automobile insurance policy must be disclosed in a specified manner.~~

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

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

1 SECTION 1. Section 383.2 is added to the Insurance Code, to
2 read:

3 383.2. (a) An insurer may offer policyholders the option of
4 making installment payments of the premium. The insurer, or a
5 third party designated by the insurer to administer the installment
6 payment option, may charge a fee to policyholders who opt to pay
7 by installment. The amount of the installment fee shall be
8 reasonably estimated to cover the administrative costs to the
9 insurer or third party of the installment payment option. The costs
10 of the installment program authorized by this subdivision shall
11 not be included in the rate filing plan, but shall be determined
12 separately from an insurer’s rates and premiums. The Insurance
13 Commissioner may determine if installment fees are excessive,
14 and may promulgate regulations to effectuate this section.

15 (b) An installment fee authorized by law is not a “premium”
16 for purposes of subdivision (f) of Section 381. This subdivision is
17 declaratory of existing law.

18 (c) On and after January 1, 2008, an insurer who offers an
19 installment payment option with respect to automobile insurance,
20 as described in subdivision (a) of Section 660, or residential
21 property insurance, as described in Section 675, shall clearly
22 disclose the premium due and the installment fee charged for
23 exercising the installment payment option at the time of offer and
24 on any payment notice or billing statement issued to the
25 policyholder.

26 (d) An insurer who, in addition to charging the fee allowed by
27 subdivision (a), offers to finance the payment of premium by
28 installment, shall comply with the premium financing requirements
29 of Section 778, et seq.

30 SECTION 1. ~~Section 380.3 is added to the Insurance Code, to~~
31 ~~read:~~

32 ~~380.3. “Premium” as used in this chapter means the~~
33 ~~consideration for the transfer of risk provided under the insurance~~
34 ~~policy. “Premium” does not mean or include a fee or charge paid~~

1 ~~under an installment payment option. This applies to a flat or~~
2 ~~interest-based fee however identified or described.~~

3 ~~This section is declaratory of existing law.~~

4 ~~SEC. 2. Section 380.4 is added to the Insurance Code, to read:~~

5 ~~380.4. An installment fee shall be disclosed in a manner that~~
6 ~~informs the applicant or policyholder of the amount of the charge~~
7 ~~on a per installment basis.~~

8 ~~The disclosure required under this section shall be made~~
9 ~~separately from the disclosure of premium under subdivision (f)~~
10 ~~of Section 381 and Section 383.5.~~

11 ~~The disclosure may be on the policy declaration page or in a~~
12 ~~separate written or electronic communication, including a bill or~~
13 ~~statement of account, provided to the policyholder.~~