

ASSEMBLY BILL

No. 601

Introduced by Assembly Member Garrick

February 25, 2009

An act to amend Section 1872.81 of the Insurance Code, relating to motor vehicle insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 601, as introduced, Garrick. Motor vehicle insurance: special assessments.

Existing law, until January 1, 2010, imposes on an insurer a \$0.30 special purpose assessment on each vehicle insured under an insurance policy issued in this state by the insurer. Existing law specifies that \$0.20 of each \$0.30 special purpose assessment shall be used to fund specified consumer service functions of the Department of Insurance relating to motor vehicle insurance. Existing law further specifies that the remaining \$0.10 of each \$0.30 assessment shall be used to fund the improvement of certain consumer functions of the department. Under existing law, the funding purpose of the \$0.10 portion of the \$0.30 special purpose assessment is further broken down to portions with specified purposes.

This bill would extend the operation of these provisions until January 1, 2015. This bill would delete the specified purpose for one of the final portions of the \$0.10 portion of the total assessment. This bill would also reduce the \$0.30 special purpose assessment to a \$0.20 special purpose assessment and would state that the purpose of this reduction is for the department to spend down the reserve for that special purpose assessment while ensuring that the ratios between the allocations of funds remain unchanged, as specified.

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 1872.81 of the Insurance Code is
2 amended to read:

3 1872.81. (a) In addition to the special purpose assessment
4 imposed pursuant to Section 1872.8, an insurer doing business in
5 this state shall pay to the commissioner an annual special purpose
6 assessment of thirty cents (\$0.30) for each vehicle insured under
7 an insurance policy it issues in this state, for expenditure as follows:

8 (a)
9 (1) An amount equivalent to twenty cents (\$0.20) of the special
10 purpose assessment imposed per insured vehicle by this ~~section~~
11 *subdivision* shall be used for the purpose of paying for consumer
12 service functions of the department that are related to automobile
13 insurance. The revenues under this ~~subdivision~~ *paragraph* shall
14 be used to improve service to consumers through the rating and
15 underwriting services bureau, the claims services bureau, the
16 investigations bureau, or any successor bureaus of the department
17 that may assume the consumer service functions of these bureaus,
18 and legal services in support of these bureaus. The department
19 shall develop a plan for the use of the revenues available under
20 this ~~subdivision~~ *paragraph* for the purposes authorized, and shall
21 submit the plan to the Assembly and Senate Committees on
22 Insurance.

23 (b)
24 (2) An amount equivalent to ten cents (\$0.10) of the special
25 purpose assessment imposed per insured vehicle by this ~~section~~
26 *subdivision* shall be used for the purpose of improving consumer
27 functions of the department related to automobile insurance.
28 Revenues available under this ~~subdivision~~ *paragraph* shall be used
29 to improve consumer functions through one or more of the
30 following:

- 31 (1)
- 32 (A) The rating and underwriting services bureau.
- 33 (2)
- 34 (B) The claims services bureau.
- 35 (3)

1 (C) The investigations bureau.

2 ~~(4)~~

3 (D) Any successor bureau of the department that may assume
4 automobile insurance consumer functions of these bureaus, and
5 legal services in support of these bureaus. These revenues also
6 may be used for improving the ability of the department to respond
7 to consumer complaints and information requests through the
8 department's toll-free telephone number, and for improving the
9 ability of the department to offer information about automobile
10 insurance rates to the public. The department shall develop a plan
11 for the use of the revenues available under this ~~subdivision~~
12 *paragraph* for the purpose authorized, and shall submit the plan
13 to the Assembly and Senate Committees on Insurance.

14 (e)

15 (3) Notwithstanding ~~subdivision (b)~~ *paragraph (2)*, the
16 Department of Insurance, after January 1, 2006, and the Department
17 of Motor Vehicles, after that date, may propose to the budget
18 committees of the Legislature a proposed use of up to five cents
19 (\$0.05) of the ten-cent (\$0.10) special purpose assessment levied
20 pursuant to ~~subdivision (b)~~ *paragraph (2)* related to informing
21 consumers about the existence of any low-cost automobile
22 insurance program authorized in law pursuant to Section 11629.7
23 or other statutes that also establish a program of the type identified
24 in Section 11629.7. Funds for this purpose shall not be expended
25 without prior budget approval. The total amount of funds
26 authorized to both departments in total, or to one department in
27 total, for this purpose shall not exceed five cents (\$0.05). The
28 departments shall explain, with as much specificity as is reasonably
29 possible, the objectives for the use of the funds and quantitative
30 criteria by which the Legislature may evaluate the effectiveness
31 of the department's use of funds.

32 ~~(d) At least five cents (\$0.05) of the ten-cent (\$0.10) special~~
33 ~~purpose assessment shall be directed to the purpose set forth in~~
34 ~~subdivision (a) until January 1, 2009, and to the degree that funding~~
35 ~~for low-cost auto insurance is not fully appropriated up to five~~
36 ~~cents (\$0.05), the difference thereof shall be additionally allocated~~
37 ~~to purposes set forth in subdivision (a).~~

38 (b) *From July 1, 2010, to December 31, 2014, inclusive, the*
39 *special purpose assessment provided for in subdivision (a) shall*
40 *be reduced from thirty cents (\$0.30) to twenty cents (\$0.20) for*

1 *each vehicle insured under an insurance policy issued by an insurer*
2 *in this state. The ratios between the allocations of funds made by*
3 *paragraphs (1), (2), and (3) of subdivision (a) shall remain in*
4 *effect. It is the intent of the Legislature that the Department of*
5 *Insurance will spend down the reserve for this special purpose*
6 *assessment during this period while ensuring that the ratios*
7 *between the allocations of funds made by paragraphs (1), (2), and*
8 *(3) of subdivision (a) remain unchanged.*

9 (e)

10 (c) This section shall remain in effect only until January 1, ~~2010~~,
11 2015, and as of that date is repealed, unless a later enacted statute,
12 that is enacted before January 1, ~~2010~~, 2015, deletes or extends
13 that date.