

AMENDED IN ASSEMBLY APRIL 5, 2010

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 1837

Introduced by Assembly Member Gaines

February 12, 2010

An act to amend Section 700 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1837, as amended, Gaines. Insurance transactions: nonadmitted insurers.

Existing law prohibits persons from transacting any class of insurance within this state without first being admitted for that class and makes a violation of that prohibition a crime.

~~This bill would make a technical, nonsubstantive change to that provision.~~

This bill would authorize a nonadmitted insurer that is affiliated with a California domestic insurer to receive administrative services rendered in this state by its domestic affiliate so long as the nonadmitted insurer provides the Insurance Commissioner with a description of the administrative services to be rendered by the domestic affiliate and the services do not violate specified prohibitions.

The bill would also authorize the nonadmitted insurer and its domestic affiliate to have common directors and officers so long as the nonadmitted insurer maintains a resident operating manager in its home state who is responsible for and carries out all management functions in its home state.

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

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

1 SECTION 1. Section 700 of the Insurance Code is amended
2 to read:

3 700. (a) A person shall not transact any class of insurance
4 business in this state without first being admitted for that class.
5 Except for the State Compensation Insurance Fund as authorized
6 by Sections 11770 and 11778 to 11780.5, inclusive, admission is
7 secured by procuring a certificate of authority from the
8 commissioner. The certificate shall not be granted until the
9 applicant conforms to the requirements of this code and of the laws
10 of this state prerequisite to its issue.

11 (b) The unlawful transaction of insurance business in this state
12 in willful violation of the requirement for a certificate of authority
13 is a public offense punishable by imprisonment in the state prison,
14 or in a county jail not exceeding one year, or by a fine not
15 exceeding one hundred thousand dollars (\$100,000), or by both
16 that fine and imprisonment, and shall be enjoined by a court of
17 competent jurisdiction on petition of the commissioner.

18 (c) After the issuance of a certificate of authority, the holder
19 shall continue to comply with the requirements as to its business
20 set forth in this code and in the other laws of this state, including,
21 but not limited to, Chapter 5 (commencing with Section 1621),
22 with regard to employees or contractors who solicit, negotiate, or
23 effect insurance.

24 (d) Where a hearing is held under this section the proceedings
25 shall be conducted in accordance with Chapter 5 (commencing
26 with Section 11500) of Part 1 of Division 3 of Title 2 of the
27 Government Code, and the commissioner shall have all the powers
28 granted therein.

29 (e) The commissioner shall either issue or deny an application
30 for a certificate of authority within 180 calendar days after the date
31 of the application.

32 (f) The commissioner and his or her authorized representative
33 shall be prohibited from seeking a waiver to extend the 180
34 calendar day period specified in subdivision (e), nor shall the
35 applicant be permitted to waive that period.

36 (g) (1) *A nonadmitted insurer which is affiliated with a*
37 *California domestic insurer may receive administrative services*
38 *rendered in California by its California domestic insurer affiliate*

1 *so long as the nonadmitted insurer provides the commissioner with*
2 *a description of the administrative services to be rendered in*
3 *California by the California domestic insurer affiliate and the*
4 *services do not violate this section and Section 703.*

5 *(2) A nonadmitted insurer and its California domestic insurer*
6 *affiliate may have common directors and officers so long as the*
7 *nonadmitted insurer maintains a resident operating manager in*
8 *its home state who is responsible for and carries out all*
9 *management functions in its home state.*

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