

**Assembly Bill No. 2002**

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Passed the Assembly April 15, 2010

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*Chief Clerk of the Assembly*

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Passed the Senate June 24, 2010

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*Secretary of the Senate*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2010, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

An act to amend Section 923.5 of, and to repeal Section 11558 of, the Insurance Code, relating to reserve requirements.

## LEGISLATIVE COUNSEL'S DIGEST

AB 2002, Huffman. Reserve requirements.

Existing law requires the Insurance Commissioner to promulgate regulations for the computation of the amount of reserves to be maintained by each insurer transacting business in this state. Under existing law, the minimum reserve requirement prescribed by the commissioner pursuant to those regulations cannot be less than 60% of certain liability insurers' earned premiums during each year less the amount already paid for related incidental losses and expenses, as specified.

This bill would remove the 60% reserve requirement for those liability insurers and allow the Insurance Commissioner to prescribe the minimum reserve requirement by regulation.

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

SECTION 1. Section 923.5 of the Insurance Code is amended to read:

923.5. Each insurer transacting business in this state shall at all times maintain reserves in an amount estimated in the aggregate to provide for the payment of all losses and claims for which the insurer may be liable, and to provide for the expense of adjustment or settlement of losses and claims.

The reserves shall be computed in accordance with regulations made from time to time by the commissioner. The promulgation of the regulations by the commissioner, or any changes thereto or amendments thereof, shall be in accordance with the procedure provided in Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The commissioner shall make the regulations upon reasonable consideration of the ascertained experience and the character of such kinds of business for the purpose of adequately protecting the insured and securing the solvency of the insurer.

The commissioner may prescribe the manner and form of reporting pertinent information concerning the reserves provided for in this section.

This section shall not apply to life insurance, title insurance, disability insurance, mortgage insurance, or mortgage guaranty insurance.

SEC. 2. Section 11558 of the Insurance Code is repealed.

Approved \_\_\_\_\_, 2010

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*Governor*