

AMENDED IN ASSEMBLY MARCH 31, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 974

Introduced by Assembly Member Portantino

February 18, 2011

~~An act to amend Section 790.02 of the Insurance Code, relating to insurance.~~ *An act to amend Section 11732.5 of the Insurance Code, relating to workers' compensation insurance.*

LEGISLATIVE COUNSEL'S DIGEST

AB 974, as amended, Portantino. ~~Insurance: unfair trade practices.~~ *Workers' compensation insurance: rates.*

Existing law regulates the rate that may be charged on workers' compensation insurance and requires every workers' compensation insurer to adhere to a uniform experience rating plan filed with the Insurance Commissioner by a rating organization designated by the commissioner and subject to his or her disapproval. Existing law requires that a rate be adequate to cover an insurer's losses and expenses, not tend to create a monopoly, and not be unfairly discriminatory. Under existing law, rates are unfairly discriminatory if, after allowing for practical limitations, price differentials fail to reflect equitably the difference in expected losses and expenses.

This bill would provide that a rate that includes a price differential because the policyholder purchased the policy through a broker is unfairly discriminatory and shall not be approved.

~~Existing law prohibits a person from engaging in any trade practice that is an unfair method of competition or an unfair or deceptive act or practice in the business of insurance.~~

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

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 11732.5 of the Insurance Code is amended
2 to read:

3 11732.5. Rates shall not be unfairly discriminatory. Rates are
4 unfairly discriminatory if, after allowing for practical limitations,
5 price differentials fail to reflect equitably the difference in expected
6 losses and expenses. *A rate that includes a price differential*
7 *because the policyholder purchased the policy through a broker*
8 *is unfairly discriminatory and shall not be approved.* A rate of an
9 insurer shall not be deemed unfairly discriminatory because
10 different premiums result for policyholders with like loss exposures
11 but different expenses, or like expenses but different loss
12 exposures, as long as the rate reflects the differences with
13 reasonable accuracy.

14 ~~SECTION 1. Section 790.02 of the Insurance Code is amended~~
15 ~~to read:~~

16 ~~790.02. A person shall not engage in this state in any trade~~
17 ~~practice that is defined in this article as, or determined pursuant~~
18 ~~to this article to be, an unfair method of competition or an unfair~~
19 ~~or deceptive act or practice in the business of insurance.~~