

Assembly Bill No. 98

CHAPTER 27

An act to add Section 12975.9 to the Insurance Code, relating to property insurance, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor June 27, 2013. Filed with
Secretary of State June 27, 2013.]

LEGISLATIVE COUNSEL'S DIGEST

AB 98, Committee on Budget. Property insurance: Seismic Safety Account.

Existing law provides for the Alfred E. Alquist Seismic Safety Commission in the State and Consumer Services Agency, which consists of 15 members appointed by the Governor and confirmed by the Senate. The commission is responsible for certain aspects of earthquake hazard mitigation, including, but not limited to, setting goals and priorities in the public and private sectors, encouraging research, and helping to coordinate the earthquake safety activities of government at all levels.

This bill would create the Seismic Safety Account as a special account within the Insurance Fund with the funds to be distributed, upon appropriation, to the commission for the support of the commission and to the Department of Insurance for the actual administrative costs incurred in collecting the assessments. In order to fund the account, the bill would impose an assessment on each person who owns real property, commercial or residential, that is covered by a property insurance policy. The bill would require the department to calculate the annual assessment, as specified, not to exceed \$0.15 per property exposure. The insurer, upon receipt of an invoice from the department, would be required to transmit payment to the department for deposit into the account, and to collect the assessment from the insured, unless the insurer elects to pay the assessment on the insured's behalf. The bill would also make the insurer responsible for any collected assessment that was not remitted to the department, and the department would be authorized to charge a late fee of 1.5%, per month, of the balance due compounded monthly, for any payment not paid within 45 days of the invoice date. The insurer would not be obligated to take legal action to enforce the collection of the assessment. The bill would require the department to report by December 1 of each year to the Legislature, the commission, and the Department of Finance on the assessment calculation methodology employed.

This bill would declare that it is to take effect immediately as an urgency statute.

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

SECTION 1. Section 12975.9 is added to the Insurance Code, to read:

12975.9. (a) The Seismic Safety Account is hereby created as a special account within the Insurance Fund. Moneys in the account are available, upon appropriation by the Legislature, for the purposes of this section to fund the department and the Alfred E. Alquist Seismic Safety Commission.

(b) There is hereby imposed an assessment on each person who owns real property, commercial or residential, that is insured by a property insurance policy. The department shall calculate the annual assessment to be charged to each commercial and residential earned property exposure. The assessment shall be set annually every August 1, beginning August 1, 2014, for all commercial and residential earned property exposures reported during the previous calendar year. The annual assessment shall be set at fifteen cents (\$0.15) per earned property exposure for the first three years of the implementation of this section. Each year thereafter, the annual assessment shall be based upon the number of earned property exposures from both commercial and residential insurance policies, the amount required for the support of the Alfred E. Alquist Seismic Safety Commission, the actual collection and administrative costs of the department, and the maintenance of an adequate reserve, but shall not exceed fifteen cents (\$0.15) per earned property exposure.

(c) The insurer, upon receipt of an invoice from the department, shall transmit payment to the department for deposit into the Seismic Safety Account. The insurer shall recover the assessment from the insured, unless the insurer elects to pay the assessment on the insured's behalf. The insurer may provide a description of the assessment to the insured as part of its billing statement. Any deficiency or excess in the amount collected in relation to the appropriation authority for the commission and the department shall be accounted for in the subsequent annual fee calculation. Any balance remaining in the Seismic Safety Account at the end of each fiscal year shall be retained in the account and carried forward to the next fiscal year.

(d) Funds in the Seismic Safety Account shall be distributed, upon appropriation by the Legislature, to the Alfred E. Alquist Seismic Safety Commission for the support of the commission and to the department for the actual administrative costs incurred in collecting the assessments.

(e) Any assessment collected from an insured that has not been remitted to the department shall be a debt owed to the state by the insurer. This part does not impose any obligation upon an insurer to take any legal action to enforce the collection of the assessment imposed by this section.

(f) Payment of the assessment shall be considered delinquent if not paid within 45 days of the invoice date. The department is authorized to charge a late fee of 1.5 percent per month of the balance due, compounded monthly, for any amount not paid within this period in accordance with Section 12995.

(g) (1) Notwithstanding Section 10231.5 of the Government Code, the department shall report by December 1 of each year, beginning on December 1, 2014, to the Legislature, the Alfred E. Alquist Seismic Safety Commission,

and the Department of Finance on the assessment calculation methodology employed.

(2) A report to be submitted to the Legislature pursuant to this subdivision shall be submitted in compliance with Section 9795 of the Government Code.

SEC. 2. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to protect the public from the continuing threat of loss of life and property damage due to earthquakes, it is necessary that this act take effect immediately.