

ASSEMBLY BILL

No. 1391

Introduced by Committee on Insurance

March 4, 2013

An act to amend Sections 662, 739.3, 985, 1011, 1011.1, 1012, 1016, 1070.6, 1624, 1675, 1749.8, 1758.3, 1872.87, and 14090.1 of, and to repeal Section 668.5 of, the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1391, as introduced, Committee on Insurance. Insurance: omnibus.

(1) Existing law provides that no cancellation of a motor vehicle insurance policy, not subject to certain cancellation protections because it has been in effect less than 60 days, is effective unless a notice of cancellation, subject to certain notice provisions, is mailed or delivered by the insurer to the named insured not later than the 59th day following the effective date and at least 10 days prior to the effective date of cancellation. Existing law also provides no notice of cancellation of a motor vehicle insurance policy, where the cancellation is based on, among other things, nonpayment of premium, is effective unless mailed or delivered by the insurer to the named insured, lienholder, or additional interest at least 20 days prior to the effective date of cancellation, except as specified.

This bill would delete the requirements for cancellation of a motor vehicle insurance policy less than 60 days old, and would apply the requirements regarding notice of cancellation for nonpayment of premiums, and other specified reasons, to all cancellation circumstances.

(2) Existing law requires every life agent who sells annuities to satisfactorily complete 8 hours of training prior to soliciting individual

consumers, and requires every life agent who sells annuities to satisfactorily complete 4 hours of training prior to each license renewal.

This bill would clarify the completion of an 8-hour training requirement to initially procure a license to sell annuities does not satisfy the requirement to complete a 4-hour training course in order to renew the annuity license.

(3) Existing law prohibits the Insurance Commissioner from granting authority to transact variable contracts unless the life agent or applicant furnishes proof that he or she is registered to sell securities in accordance with the rules of the United States Securities and Exchange Commission or the Financial Industry Regulatory Authority.

This bill would make clear that the life agent or applicant is required furnish proof that he or she is registered to sell securities in California in accordance with the rules of the United States Securities and Exchange Commission or the Financial Industry Regulatory Authority.

(4) Existing law requires an individual holding an insurance adjuster license, not otherwise exempt, to complete a minimum of 24 hours of continuing education courses, as specified.

This bill would authorize an exemption from the continuing education requirements for an individual licensed as an insurance adjuster and as a property or casualty broker-agent who has met other specified continuing education requirements.

(5) Existing law defines an insurance solicitor as a natural person employed to aid an insurance agent or insurance broker in transacting insurance other than life.

This bill would add disability and health insurances to that definition.

(6) Existing law provides that a nonresident licensee who applies for a property broker-agent, casualty broker-agent, personal lines broker-agent, or life agent resident license in this state, and who is currently licensed for the same lines of authority in the state of his or her current resident license, is not required to complete an examination. The application for examination is required to be received within 90 days of the cancellation of the applicant's resident license and the producer database records, maintained by the National Association of Insurance Commissioners, are required to indicate that the producer is licensed in good standing for the line of authority requested.

This bill would provide that upon issuance of the California resident license, the examination waiver also applies to adding additional lines of authority to the California resident license provided that the individual was previously licensed in good standing for the requested additional

lines of authority, and the application is received within 12 months of the cancellation of the applicant’s previous resident license in another state.

(7) This bill would make technical, conforming, and clarifying changes, and delete obsolete provisions.

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 662 of the Insurance Code is amended
2 to read:

3 662. (a) ~~No~~A notice of cancellation of a policy to which
4 ~~Section 661 applies~~ shall *not* be effective unless mailed or delivered
5 by the insurer to the named insured, lienholder, or additional
6 interest at least 20 days prior to the effective date of cancellation;
7 provided, however, that where cancellation is for nonpayment of
8 premium, at least 10 days’ notice of cancellation accompanied by
9 the reason ~~therefor~~ *for the cancellation* shall be given. Unless the
10 reason accompanies or is included in the notice of cancellation,
11 the notice of cancellation shall state or be accompanied by a
12 statement that upon written request of the named insured, mailed
13 or delivered to the insurer not less than 15 days prior to the
14 effective date of cancellation, the insurer will specify the reason
15 for ~~such~~ *the* cancellation.

16 (b) This section shall not apply to nonrenewal.

17 (c) Notices made to lienholders pursuant to this section may be
18 done electronically with the consent of the lienholder.

19 SEC. 2. Section 668.5 of the Insurance Code is repealed.

20 ~~668.5. No cancellation of a policy or coverage of insurance~~
21 ~~subject to this chapter but not subject to Section 661 or 662~~
22 ~~(because it has been in effect less than 60 days) shall be effective~~
23 ~~unless a notice of cancellation subject to Sections 664 and 665,~~
24 ~~when applicable, but not to any other provision of this chapter, be~~
25 ~~mailed or delivered by the insurer to the named insured not later~~
26 ~~than the 59th day following its effective date and at least 10 days~~
27 ~~prior to the effective date of cancellation.~~

28 SEC. 3. Section 739.3 of the Insurance Code is amended to
29 read:

1 739.3. (a) “Company Action Level Event” means any of the
2 following events:

3 (1) The filing of an RBC Report by an insurer that indicates any
4 of the following:

5 (A) The insurer’s Total Adjusted Capital is greater than or equal
6 to its Regulatory Action Level RBC but less than its Company
7 Action Level RBC.

8 (B) If a life or health insurer, the insurer has Total Adjusted
9 Capital that is greater than or equal to its Company Action Level
10 RBC but less than the product of its Authorized Control Level
11 RBC and 2.5, and has a negative trend.

12 (C) If a property and casualty insurer, the insurer has Total
13 Adjusted Capital that is greater than or equal to its Company Action
14 Level RBC but less than the product of its Authorized Control
15 Level RBC and 3.0, and triggers the trend test determined in
16 accordance with the trend test calculation included in the Property
17 and Casualty RBC instructions.

18 (2) The notification by the commissioner to the insurer of an
19 Adjusted RBC Report that indicates the event in ~~subparagraph (A)~~
20 ~~or (B)~~ of paragraph (1), provided that the insurer does not challenge
21 the Adjusted RBC Report under Section 739.7.

22 (3) If the insurer challenges, *under Section 739.7*, an Adjusted
23 RBC Report that indicates the event in ~~subparagraph (A) or (B)~~
24 ~~of paragraph (1) under Section 739.7 paragraph (1)~~, the
25 notification by the commissioner to the insurer that the
26 commissioner has, after a hearing, rejected the insurer’s challenge.

27 (b) In the event of a Company Action Level Event, the insurer
28 shall prepare and submit to the commissioner a comprehensive
29 financial plan, ~~which~~ *that* shall do all of the following:

30 (1) Identify the conditions in the insurer that contribute to the
31 Company Action Level Event.

32 (2) Contain proposals of corrective actions that the insurer
33 intends to take and would be expected to result in the elimination
34 of the Company Action Level Event.

35 (3) Provide projections of the insurer’s financial results in the
36 current year and at least the four succeeding years, both in the
37 absence of proposed corrective actions and giving effect to the
38 proposed corrective actions, including projections of statutory
39 operating income, net income, capital, or surplus, or a combination.
40 The projections for both new and renewal business may include

1 separate projections for each major line of business and separately
2 identify each significant income, expense, and benefit component.

3 (4) Identify the key assumptions impacting the insurer's
4 projections and the sensitivity of the projections to the assumptions.

5 (5) Identify the quality of, and problems associated with, the
6 insurer's business, including, but not limited to, its assets,
7 anticipated business growth and associated surplus strain,
8 extraordinary exposure to risk, mix of business, and use of
9 reinsurance in each case, if any.

10 (c) The RBC Plan shall be submitted as follows:

11 (1) Within 45 days of the Company Action Level Event.

12 (2) If the insurer challenges an Adjusted RBC Report pursuant
13 to Section 739.7, within 45 days after notification to the insurer
14 that the commissioner has, after a hearing, rejected the insurer's
15 challenge.

16 (d) Within 60 days after the submission by an insurer of an RBC
17 Plan to the commissioner, the commissioner shall notify the insurer
18 whether the RBC Plan shall be implemented or is, in the judgment
19 of the commissioner, unsatisfactory. If the commissioner
20 determines that the RBC Plan is unsatisfactory, the notification to
21 the insurer shall set forth the reasons for the determination, and
22 may set forth proposed revisions that will render the RBC Plan
23 satisfactory, in the judgment of the commissioner. Upon
24 notification from the commissioner, the insurer shall prepare a
25 Revised RBC Plan, which may incorporate by reference revisions
26 proposed by the commissioner, and shall submit the Revised RBC
27 Plan to the commissioner as follows:

28 (1) Within 45 days after the notification from the commissioner.

29 (2) If the insurer challenges the notification from the
30 commissioner under Section 739.7, within 45 days after a
31 notification to the insurer that the commissioner has, after a
32 hearing, rejected the insurer's challenge.

33 (e) In the event of a notification by the commissioner to an
34 insurer that the insurer's RBC Plan or Revised RBC Plan is
35 unsatisfactory, the commissioner may, at his or her discretion,
36 subject to the insurer's right to a hearing under Section 739.7,
37 specify in the notification that the notification constitutes a
38 Regulatory Action Level Event.

39 (f) Every domestic insurer that files an RBC Plan or Revised
40 RBC Plan with the commissioner shall file a copy of the RBC Plan

1 or Revised RBC Plan with the insurance commissioner in any state
 2 in which the insurer is authorized to do business if both of the
 3 following apply:

4 (1) That state has an RBC provision substantially similar to
 5 subdivision (a) of Section 739.8.

6 (2) The insurance commissioner of that state has notified the
 7 insurer of its request for the filing in writing, in which case the
 8 insurer shall file a copy of the RBC Plan or Revised RBC Plan in
 9 that state no later than the later of:

10 (A) Fifteen days after the receipt of notice to file a copy of its
 11 RBC Plan or Revised RBC Plan with the state.

12 (B) The date on which the RBC Plan or Revised RBC Plan is
 13 filed under subdivision (c) of Section 739.7.

14 SEC. 4. Section 985 of the Insurance Code is amended to read:

15 985. (a) On or after January 1, 1970, as used in this article and
 16 ~~in paragraph (9) of subdivision (a)~~ *subdivision (i)* of Section 1011,
 17 “insolvency” means either of the following:

18 (1) Any impairment of minimum “paid-in capital” or “capital
 19 paid in,” as defined in Section 36, required in the aggregate of an
 20 insurer by the provisions of this code for the class, or classes, of
 21 insurance that it transacts anywhere.

22 (2) An inability of the insurer to meet its financial obligations
 23 when they are due.

24 (b) On or after January 1, 1970, an insurer cannot escape the
 25 condition of insolvency by being able to provide for all its liabilities
 26 and for reinsurance of all outstanding risks. An insurer must also
 27 be possessed of additional assets equivalent to the aggregate
 28 “paid-in capital” or “capital paid in” required by this code after
 29 making provision for all those liabilities and for that reinsurance.

30 (c) On or after October 1, 1967, as used in this code provision
 31 for reinsurance of all outstanding risks and “gross premiums
 32 without any deduction, received and receivable upon all unexpired
 33 risks” means the greater of: (1) the aggregate amount of actual
 34 unearned premiums, or (2) the amount reasonably estimated as
 35 being required to reinsure in a solvent admitted insurer the
 36 unexpired terms of the risks represented by all outstanding policies.

37 (d) On or after October 1, 1967, an insurer shall make provision
 38 for reinsurance of the outstanding risk on policies that provide
 39 premiums that are fully earned at inception and on policies that

1 for any other reason do not provide for a return premium to the
2 insured on cancellation prior to expiration.

3 (e) On or after October 1, 1967, the commissioner shall prescribe
4 standards for reasonably estimating the amount required to reinsure
5 that will provide adequate safeguards for the policyholders,
6 creditors, and the public.

7 (f) On or after October 1, 1967, this section shall not be
8 applicable to life, title, mortgage, or mortgage guaranty insurers.

9 (g) In the application of this section to disability insurance, as
10 defined in Section 106, reserves for unearned premiums and
11 amounts reasonably estimated as required to reinsure outstanding
12 risks shall be determined in accordance with the provisions of
13 Section 997.

14 SEC. 5. Section 1011 of the Insurance Code is amended to
15 read:

16 1011. ~~(a)~~—The superior court of the county in which the
17 principal office of a person described in Section 1010 is located,
18 upon the filing by the commissioner of the verified application
19 showing any of the conditions in this subdivision exist, or a filing
20 by the Federal Deposit Insurance Corporation of the verified
21 application showing that the conditions enumerated in subdivision
22 ~~(b)~~ (j) exist and the conditions set forth in Section 5383(e)(3) of
23 Title 12 of the United States Code having been satisfied, shall issue
24 its order vesting title to all of the assets of that person, wheresoever
25 situated, in the commissioner or his or her successor in office, in
26 his or her official capacity, and direct the commissioner forthwith
27 to take possession of all of its books, records, property, real and
28 personal, and assets, and to conduct, as conservator, the business
29 of the person, or so much thereof as to the commissioner may seem
30 appropriate, and enjoining the person and its officers, directors,
31 agents, servants, and employees from the transaction of its business
32 or disposition of its property until any of the following further
33 order of the court:

34 ~~(1)~~

35 (a) That the person has refused to submit its books, papers,
36 accounts, or affairs to the reasonable inspection of the
37 commissioner or his or her deputy or examiner.

38 ~~(2)~~

39 (b) That the person has neglected or refused to observe an order
40 of the commissioner to make good within the time prescribed by

1 law any deficiency in its capital if it is a stock corporation, or in
2 its reserve if it is a mutual insurer.

3 ~~(3)~~

4 (c) That the person, without first obtaining the consent in writing
5 of the commissioner, has transferred, or attempted to transfer,
6 substantially its entire property or business or, without consent,
7 has entered into any transaction the effect of which is to merge,
8 consolidate, or reinsure substantially its entire property or business
9 in or with the property or business of any other person.

10 ~~(4)~~

11 (d) That the person is found, after an examination, to be in such
12 a condition that *makes* its further transaction of business will be
13 hazardous to its policyholders, or creditors, or to the public.

14 ~~(5)~~

15 (e) That the person has violated its charter or any law of the
16 state.

17 ~~(6)~~

18 (f) That any officer of the person refuses to be examined under
19 oath, touching its affairs.

20 ~~(7)~~

21 (g) That any officer or attorney in fact of the person has
22 embezzled, sequestered, or wrongfully diverted any of the assets
23 of the person.

24 ~~(8)~~

25 (h) That a domestic insurer does not comply with the
26 requirements for the issuance to it of a certificate of authority, or
27 that its certificate of authority has been revoked.

28 ~~(9)~~

29 (i) That the last report of examination of any person to whom
30 the provisions of this article apply shows the person to be insolvent
31 within the meaning of Article 13 (commencing with Section 980)
32 of Chapter 1 of Part 2 of Division 1; or if a reciprocal or
33 interinsurance exchange, within the applicable provisions of
34 Section 1370.2, 1370.4, 1371, or 1372; or if a life insurer, within
35 the applicable provisions of Sections 10510 and 10511.

36 ~~(b)~~

37 (j) Notification is given by the United States Secretary of the
38 Treasury that a determination has been made by the secretary, in
39 accordance with and satisfying the provisions of Section 5383(b)
40 of Title 12 of the United States Code, as to a person described in

1 Section 1010 that is an insurance company as defined in Section
2 5381(a)(13) of Title 12 of the United States Code, and one of the
3 following:

4 (1) The board of directors, or body performing similar functions,
5 of the person acquiesces or consents to the appointment of a
6 receiver as provided for in Section 5832(a)(1)(A)(i) of Title 12 of
7 the United States Code, with that consent to be considered to be
8 consent to issuance of an order under this section.

9 (2) The United States District Court for the District of Columbia
10 issued an order for the appointment of a receiver of the person as
11 provided for in Section 5382(a)(1)(A)(iv)(I) of Title 12 of the
12 United States Code, without regard to whether an appeal of the
13 order is pending.

14 (3) A petition by the United States Secretary of the Treasury
15 for appointment of a receiver was made to the United States District
16 Court for the District of Columbia and was granted by operation
17 of the law as provided for in Section 5382(a)(1)(A)(v) of Title 12
18 of the United States Code, without regard to whether an appeal of
19 the order is pending.

20 SEC. 6. Section 1011.1 of the Insurance Code is amended to
21 read:

22 1011.1. If a verified application is filed pursuant to Section
23 1011 that shows that the conditions set forth in subdivision ~~(b)~~ (j)
24 of Section 1011 exist and upon a showing that notice was provided
25 to the person that is the subject of the verification application, all
26 of the following apply:

27 (a) A superior court hearing shall be held in which the person
28 may oppose the verified application solely on the grounds that the
29 conditions set forth in subdivision ~~(b)~~ (j) of Section 1101 do not
30 exist. The hearing shall be completed within 24 hours after the
31 verified application is filed with the court.

32 (b) The superior court shall issue an order as provided for in
33 Section 1011 within 24-hours after the verified application was
34 filed with the court.

35 (c) If the superior court does not issue an order within 24 hours
36 as provided for in subdivision (b), then an order described in
37 ~~subdivision (a)~~ of Section 1011 shall be deemed granted by
38 operation of law upon expiration of the 24-hour period, without
39 further notice.

1 (d) An order entered by the superior court pursuant to
 2 subdivision (b) or entered by operation of law pursuant to
 3 subdivision (c) shall not be subject to any stay or injunction
 4 pending appeal.

5 SEC. 7. Section 1012 of the Insurance Code is amended to
 6 read:

7 1012. Except in the case of an order issued based on a verified
 8 application showing the conditions in subdivision ~~(b)~~ (j) of Section
 9 1011 to exist, the order shall continue in force and effect until, on
 10 the application either of the commissioner or of that person, it
 11 shall, after a full hearing, appear to the court that the ground for
 12 the order directing the commissioner to take title and possession
 13 does not exist or has been removed and that the person can properly
 14 resume title and possession of its property and the conduct of its
 15 business.

16 SEC. 8. Section 1016 of the Insurance Code is amended to
 17 read:

18 1016. (a) If at any time after the issuance of an order under
 19 Section 1011, or if at the time of instituting any proceeding under
 20 this article, including under Section 1011, it shall appear to the
 21 commissioner that it would be futile to proceed as conservator
 22 with the conduct of the business of that person, he or she may
 23 apply to the court for an order to liquidate and wind up the business
 24 of the person. Upon a full hearing of that application, the court
 25 may make an order directing the winding up and liquidation of the
 26 business of that person by the commissioner, as liquidator, for the
 27 purpose of carrying out the order to liquidate and wind up the
 28 business of that person.

29 (b) Notwithstanding subdivision (a), the court may issue an
 30 order to liquidate and wind up the business of a person as to whom
 31 a verified application is filed pursuant to subdivision ~~(b)~~ (j) of
 32 Section 1011 based solely on the verified application and hearing
 33 as provided for in subdivision (a) of Section 1011.1, without further
 34 hearing, or may issue an order to liquidate and wind up the business
 35 of the person upon application by the commissioner after the
 36 issuance of an order under Section 1011. The court's order may
 37 direct the winding up and liquidation of the business of the person
 38 by the commissioner, as liquidator, for the purpose of carrying out
 39 the order to liquidate and wind up the business of the person.

1 SEC. 9. Section 1070.6 of the Insurance Code is amended to
2 read:

3 1070.6. The withdrawal procedure and fees prescribed by this
4 article shall not be required of a nonsurviving admitted constituent
5 to a merger or consolidation into another admitted insurer in
6 accordance with the applicable statutes and the commissioner's
7 prior written consent given pursuant to ~~paragraph (3) of subdivision~~
8 ~~(a) subdivision (c)~~ of Section 1011, provided the commissioner is
9 satisfied by documents, authenticated so as to be admissible in
10 evidence over objection, filed with him *or her*, that:

11 (a) The constituent has discharged all of its liabilities to residents
12 of this state in the manner provided by Section 1071.5;

13 (b) There will be an admitted insurer directly available to the
14 constituent's policyholders: (1) to obtain policy changes and
15 endorsements, (2) to receive payment of premiums and refund
16 unearned premiums, (3) to serve notice of claim, proof of loss,
17 summons, process, and other papers, and (4) for purposes of suit;

18 (c) The constituent shall timely file with the commissioner
19 appropriate financial statements reporting its insurance business
20 done in this state during the calendar year of the merger or
21 consolidation and all appropriate tax returns required by law for
22 the period, and shall timely pay all taxes found to be due on account
23 of the business; and

24 (d) The constituent has surrendered its current California
25 certificate of authority to the commissioner for cancellation as of
26 the effective date of the merger.

27 The withdrawal procedure and fees prescribed by this article
28 shall not be required of an insurer that has been liquidated by a
29 final order of a court of record of this or any sister state provided
30 a certified copy of the order reciting the fact of liquidation and
31 discharge of all obligations has been filed with the commissioner.

32 SEC. 10. Section 1624 of the Insurance Code is amended to
33 read:

34 1624. An insurance solicitor is a natural person employed to
35 aid an insurance agent or insurance broker in transacting insurance
36 other than life, *disability, or health*.

37 SEC. 11. Section 1675 of the Insurance Code is amended to
38 read:

1 1675. ~~Except as provided in Section 1680, the~~ The following
2 applicants who have theretofore been licensed under this code are
3 exempt from the requirements of this article:

4 (a) An applicant for a license to act as a property broker-agent
5 or a casualty broker-agent who has been licensed as a property
6 broker-agent, casualty broker-agent, or surplus line broker during
7 any part of the license year in which the application is filed or the
8 immediately preceding license year.

9 (b) An applicant for a license to act as a life-only agent who has
10 been licensed as a life-only agent during any part of the license
11 year in which the application is filed or the immediately preceding
12 license year.

13 (c) An applicant for a license to act as an accident and health
14 agent who has been licensed as an accident and health agent during
15 any part of the license year in which the application is filed or the
16 immediately preceding license year.

17 (d) An applicant for a license to act as a travel insurance agent.

18 (e) An applicant specifically exempted from the particular
19 qualifying examination requirement by other provisions of this
20 code.

21 (f) (1) A nonresident licensee who applies for a property
22 broker-agent, casualty broker-agent, personal lines broker-agent,
23 or life agent resident license in this state, and who is currently
24 licensed for the same lines of authority in the state of his or her
25 current resident license, shall not be required to complete an
26 examination. The application shall be received within 90 days of
27 the cancellation of the applicant's resident license and the producer
28 database records, maintained by the National Association of
29 Insurance Commissioners, shall indicate that the producer is
30 licensed in good standing for the line of authority requested.

31 (2) *Upon issuance of the California resident license, the*
32 *examination waiver also applies to adding additional lines of*
33 *authority to the California resident license provided that the*
34 *individual was previously licensed in good standing for the*
35 *requested additional lines of authority, and the application is*
36 *received within 12 months of the cancellation of the applicant's*
37 *previous resident license in another state.*

38 SEC. 12. Section 1749.8 of the Insurance Code is amended to
39 read:

1 1749.8. (a) Every life agent who sells annuities shall
2 satisfactorily complete eight hours of training prior to soliciting
3 individual consumers in order to sell annuities.

4 (b) Every life agent who sells annuities shall satisfactorily
5 complete four hours of training prior to each license renewal.
6 *Completion of the eight-hour annuity training required by*
7 *subdivision (a) does not satisfy the four-hour annuity training*
8 *required by this subdivision.* For resident licensees, this
9 requirement shall count toward the licensee’s continuing education
10 requirement, but may still result in completing more than the
11 minimum number of continuing education hours set forth in this
12 section.

13 (c) The training required by this section shall be approved by
14 the commissioner and shall consist of topics related to annuities,
15 and California law, regulations, and requirements related to
16 annuities, prohibited sales practices, the recognition of indicators
17 that a prospective insured may lack the short-term memory or
18 judgment to knowingly purchase an insurance product, and
19 fraudulent and unfair trade practices. Subject matter determined
20 by the commissioner to be primarily intended to promote the sale
21 or marketing of annuities shall not qualify for credit towards the
22 training requirement. Any course or seminar that is disapproved
23 under the provisions of this section shall be presumed invalid for
24 credit towards the training requirement of this section unless it is
25 approved in writing by the commissioner.

26 (d) The training requirements set forth in this section shall not
27 apply to nonresident agents representing an insurer that is a direct
28 response provider.

29 For the purposes of this section, “direct response provider” means
30 an insurer that meets each of the following criteria:

31 (1) The insurer does not initiate telephone contact with insureds
32 or prospective insureds.

33 (2) Agents of the insurer speak with insureds and prospective
34 insureds only by telephone, and at the request of the insureds or
35 prospective insureds.

36 (3) Agents of the insurer are assigned to speak with insureds or
37 prospective insureds on a random basis, when contacted.

38 (4) Agents of the insurer are salaried and do not receive
39 commissions for sales or referrals.

1 SEC. 13. Section 1758.3 of the Insurance Code is amended to
2 read:

3 1758.3. The commissioner shall not grant authority to transact
4 variable contracts unless the life agent or applicant furnishes proof
5 that he or she is registered to sell securities *in California* in
6 accordance with the rules of the United States Securities and
7 Exchange Commission or the Financial Industry Regulatory
8 Authority. Any authority granted to a life agent to transact variable
9 contracts shall immediately terminate upon the life agent no longer
10 being registered to sell securities in accordance with the rules of
11 the United States Securities and Exchange Commission or the
12 Financial Industry Regulatory Authority.

13 SEC. 14. Section 1872.87 of the Insurance Code is amended
14 to read:

15 1872.87. (a) Each insurer required to pay special purpose
16 assessments pursuant to Sections 1872.8, 1872.81, 1872.85, 1874.8,
17 or subdivision (a) of Section 1872.86 may, over a reasonable length
18 of time, but in no event later than the calendar year in which the
19 assessment is paid, recoup the special purpose assessments by way
20 of a surcharge on premiums charged for the insurance policies to
21 which those sections apply or by including the assessments within
22 the insurer’s rates. Amounts recouped shall not be considered
23 premiums for any purpose, including the computation of gross
24 premium tax or agents’ commission.

25 (b) The amount of the surcharge shall be separately stated on
26 either a billing or policy declaration sent to an insured.

27 ~~(c) The commissioner, in consultation with the Director of Motor
28 Vehicles, shall report to the Governor and to the chair and vice
29 chair of the Joint Legislative Budget Committee prior to October
30 1, 2008, on the feasibility and fiscal impact of transferring
31 collection of the assessments specified in Sections 1872.8, 1872.81,
32 and 1874.8 to the Department of Motor Vehicles to be performed
33 in conjunction with the registration of motor vehicles.~~

34 SEC. 15. Section 14090.1 of the Insurance Code is amended
35 to read:

36 14090.1. (a) An individual who holds an insurance adjuster
37 license and who is not exempt under subdivision (b) ~~of this section~~
38 shall satisfactorily complete a minimum of 24 hours, of which
39 three hours are to be in ethics, of continuing education courses
40 pertinent to the duties and responsibilities of an insurance adjuster

1 license reported to the insurance commissioner on a biennial basis
2 in conjunction with his or her license renewal cycle.

3 (b) This section does not apply to ~~either~~ *any* of the following:

4 (1) A licensee not licensed for one full year prior to the end of
5 the applicable continuing education biennium.

6 (2) A licensee holding a nonresident insurance adjuster license
7 who has met the continuing education requirements of his or her
8 designated resident state.

9 (3) *An individual licensed as an insurance adjuster and as a*
10 *property or casualty broker-agent, pursuant to Section 1625, who*
11 *has met the continuing education requirements specified in Section*
12 *1749.3.*