

AMENDED IN SENATE JUNE 19, 2014

AMENDED IN SENATE JUNE 16, 2014

AMENDED IN ASSEMBLY APRIL 2, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1395

Introduced by ~~Committee on Insurance (Perea (Chair), Hagman (Vice Chair), Bonilla, Bradford, Ian Calderon, Cooley, Frazier, Mitchell, Olsen, Torres, and Wieckowski)~~ Assembly Member Perea

March 4, 2013

An act to amend Sections 1872.81 and 12975.9 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1395, as amended, ~~Committee on Insurance~~ Perea. Insurance: special assessments: Seismic Safety Account.

Existing law requires a special purpose assessment of \$0.25, commencing July 1, 2014, until January 1, 2016, and not exceeding \$0.25 thereafter, on each vehicle insured under an insurance policy issued in this state by the insurer. Existing law specifies that, upon appropriation by the Legislature, $\frac{2}{3}$ of the special purpose assessment be used for the purpose of funding the consumer service functions of the Department of Insurance related to regulating automobile insurers, as provided, and $\frac{1}{3}$ of the special purpose assessment be used for the purpose of improving consumer functions of the department, related to regulating automobile insurers, as specified. Existing law also authorizes, upon appropriation by the Legislature, to use up to \$0.05 of the \$0.25 special purpose assessment revenues collected to notify

insurers and other members of the public about the existence of any low-cost automobile insurance program.

This bill would raise the amount of the special purpose assessment to \$0.26, until January 1, 2016, and not exceeding \$0.26 thereafter.

Existing law created the Seismic Safety Account as a special account within the Insurance Fund with the funds to 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. In order to fund the account, an assessment, as specified, is imposed on each person who owns real property, commercial or residential, that is covered by a property insurance policy.

This bill would provide that the insurer is not required to refund any portion of an assessment because the policy or coverage is terminated prior to the expiration date of the policy or coverage.

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

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

1 SECTION 1. Section 1872.81 of the Insurance Code is
2 amended to read:

3 1872.81. In addition to the special purpose assessment imposed
4 pursuant to Section 1872.8, effective July 1, 2014, an insurer doing
5 business in this state shall, until January 1, 2016, pay to the
6 commissioner an annual special purpose assessment of twenty-six
7 cents (\$0.26), and thereafter pay to the commissioner an annual
8 special purpose assessment in an amount not to exceed twenty-six
9 cents (\$0.26), as determined by the commissioner, for each vehicle
10 insured under an insurance policy it issues in this state, for
11 expenditure, upon appropriation by the Legislature, as follows:

12 (a) Two-thirds of the special purpose assessment shall be used
13 for the purpose of funding the consumer service functions of the
14 department that are related to regulating automobile insurers,
15 including those functions performed by the rating and underwriting
16 service bureau, the claims service bureau, the investigations bureau,
17 or any successor bureaus of the department that may assume the
18 consumer service functions of these bureaus, and legal services in
19 support of these bureaus.

1 (b) One-third of the special purpose assessment shall be used
2 for the purpose of improving consumer functions identified in
3 subdivision (a) of the department that are related to regulating
4 automobile insurers, including, for improving the ability of the
5 department to respond to consumer complaints and information
6 requests through the department's toll-free telephone number, and
7 for improving the ability of the department to offer information
8 about automobile insurance rates to the public.

9 (c) Upon appropriation by the Legislature, the ~~Department of~~
10 ~~Insurance~~ *department* may use up to five cents (\$0.05) of the
11 special purpose assessment revenues collected pursuant to this
12 section to notify insurers and other members of the public about
13 the existence of any low-cost automobile insurance program
14 established pursuant to Section 11629.7 or other statutes that
15 establish a program of the type identified in Section 11629.7. In
16 requesting an appropriation for this purpose under its proposed
17 plan developed pursuant to Section 11629.85, the ~~Department of~~
18 ~~Insurance~~ *department* shall explain, with as much specificity as is
19 reasonably possible, the objectives for the use of the funds and the
20 quantitative criteria by which the Legislature may evaluate the
21 effectiveness of the department's use of the funds.

22 (d) The commissioner shall include, in the annual report
23 submitted pursuant to Section 12922, all of the following
24 information:

25 (1) The number of opened consumer complaints related to
26 automobile insurance.

27 (2) The number of opened investigations related to automobile
28 insurance.

29 (3) The number of investigations related to automobile insurance
30 referred to prosecuting agencies.

31 (4) The number of administrative or regulatory cases related to
32 automobile insurance referred to the department's legal division.

33 (5) The number of administrative or regulatory enforcement
34 actions taken in cases related to automobile insurance.

35 (6) Total aggregate annual assessment revenue and expenditures
36 pursuant to the assessment.

37 SEC. 2. Section 12975.9 of the Insurance Code is amended to
38 read:

39 12975.9. (a) The Seismic Safety Account is hereby created as
40 a special account within the Insurance Fund. Moneys in the account

1 are available, upon appropriation by the Legislature, for the
2 purposes of this section to fund the department and the Alfred E.
3 Alquist Seismic Safety Commission.

4 (b) There is hereby imposed an assessment on each person who
5 owns real property, commercial or residential, that is insured by
6 a property insurance policy. The department shall calculate the
7 annual assessment to be charged to each commercial and residential
8 earned property exposure. The assessment shall be set annually
9 every August 1, beginning August 1, 2014, for all commercial and
10 residential earned property exposures reported during the previous
11 calendar year. The annual assessment shall be set at fifteen cents
12 (\$.15) per earned property exposure for the first three years of
13 the implementation of this section. Each year thereafter, the annual
14 assessment shall be based upon the number of earned property
15 exposures from both commercial and residential insurance policies,
16 the amount required for the support of the Alfred E. Alquist
17 Seismic Safety Commission, the actual collection and
18 administrative costs of the department, and the maintenance of an
19 adequate reserve, but shall not exceed fifteen cents (\$.15) per
20 earned property exposure.

21 (c) The insurer, upon receipt of an invoice from the department,
22 shall transmit payment to the department for deposit into the
23 Seismic Safety Account. The insurer shall recover the assessment
24 from the insured, unless the insurer elects to pay the assessment
25 on the insured's behalf. The insurer may provide a description of
26 the assessment to the insured as part of its billing statement. The
27 insurer is not required to refund any portion of an assessment
28 because the policy or coverage is terminated prior to the expiration
29 date of the policy or coverage. Any deficiency or excess in the
30 amount collected in relation to the appropriation authority for the
31 commission and the department shall be accounted for in the
32 subsequent annual fee calculation. Any balance remaining in the
33 Seismic Safety Account at the end of each fiscal year shall be
34 retained in the account and carried forward to the next fiscal year.

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

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

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

11 (g) (1) Notwithstanding Section 10231.5 of the Government
12 Code, the department shall report by December 1 of each year,
13 beginning on December 1, 2014, to the Legislature, the Alfred E.
14 Alquist Seismic Safety Commission, and the Department of
15 Finance on the assessment calculation methodology employed.

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

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