

AMENDED IN ASSEMBLY JUNE 12, 2014

SENATE BILL

No. 867

Introduced by Committee on Budget and Fiscal Review

January 9, 2014

An act relating to the Budget Act of 2014. An act to amend Section 12975.9 of the Insurance Code, relating to property insurance, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 867, as amended, Committee on Budget and Fiscal Review.
~~Budget Act of 2014. Property insurance: Seismic Safety Account.~~

Existing law created the Seismic Safety Account as a special account within the Insurance Fund with the funds to be distributed, upon appropriation, to the Alfred E. Alquist Seismic Safety 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, 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 extend that assessment to each person who rents or leases real property, commercial or residential, that is covered by a property insurance policy.

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

This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2014.

Vote: majority $\frac{2}{3}$. 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 12975.9 of the Insurance Code is amended
2 to read:

3 12975.9. (a) The Seismic Safety Account is hereby created as
4 a special account within the Insurance Fund. Moneys in the account
5 are available, upon appropriation by the Legislature, for the
6 purposes of this section to fund the department and the Alfred E.
7 Alquist Seismic Safety Commission.

8 (b) There is hereby imposed an assessment on each person who
9 owns, *rents, or leases* real property, commercial or residential,
10 that is insured by a property insurance policy. The department
11 shall calculate the annual assessment to be charged to each
12 commercial and residential earned property exposure. The
13 assessment shall be set annually every August 1, beginning August
14 1, 2014, for all commercial and residential earned property
15 exposures reported during the previous calendar year. The annual
16 assessment shall be set at fifteen cents (\$0.15) per earned property
17 exposure for the first three years of the implementation of this
18 section. Each year thereafter, the annual assessment shall be based
19 upon the number of earned property exposures from both
20 commercial and residential insurance policies, the amount required
21 for the support of the Alfred E. Alquist Seismic Safety
22 Commission, the actual collection and administrative costs of the
23 department, and the maintenance of an adequate reserve, but shall
24 not exceed fifteen cents (\$0.15) per earned property exposure.

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

37 (d) Funds in the Seismic Safety Account shall be distributed,
38 upon appropriation by the Legislature, to the Alfred E. Alquist

1 Seismic Safety Commission for the support of the commission
2 and to the department for the actual administrative costs incurred
3 in collecting the assessments.

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

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

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

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

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

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

29 ~~SECTION 1. It is the intent of the Legislature to enact statutory
30 changes relating to the Budget Act of 2014.~~