

AMENDED IN SENATE APRIL 10, 2014

**SENATE BILL**

**No. 1173**

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**Introduced by Senator Gaines**

February 20, 2014

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An act to add Section 12926.5 to the Insurance Code, relating to insurance rates.

LEGISLATIVE COUNSEL'S DIGEST

SB 1173, as amended, Gaines. Insurance rate decreases.

The Insurance Rate Reduction and Reform Act of 1988, an initiative measure, enacted by Proposition 103, as approved by the voters at the November 8, 1988, statewide general election, prohibits specified insurance rates from being approved or remaining in effect that are excessive, inadequate, unfairly discriminatory, or otherwise in violation of the act. The act requires an insurer that wishes to change a rate to file a complete rate application with the Insurance Commissioner, for which there may be a hearing as prescribed. Existing law authorizes any person to initiate or intervene in any proceeding permitted or established pursuant to these provisions, to challenge actions of the commissioner pursuant to these provisions, and to enforce the act.

Existing law also requires all insurers to file with the Department of Insurance all required rate information for individual and small group health insurance policies at least 60 days prior to implementing any rate change. A similar provision applies to insurers for large group health insurance policies with respect to unreasonable rate increases.

This bill would, notwithstanding any other law, require the commissioner to approve without review or modification, and without holding a hearing, any rate decrease proposed and submitted to the department by an insurer, including, but not limited to, a health insurer.

The bill would also require the commissioner to adopt regulations to establish policies, guidelines, and procedures to implement this provision. *The bill would provide that these requirements would not apply if the consumers' rates would increase.*

Because the bill would amend Proposition 103, it would require a  $\frac{2}{3}$  vote of each house of the Legislature for enactment.

Vote:  $\frac{2}{3}$ . 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 12926.5 is added to the Insurance Code,
- 2 to read:
- 3 12926.5. (a) Notwithstanding any other law, the commissioner
- 4 shall approve without review or modification, and without holding
- 5 a hearing, any rate decrease proposed by an insurer that the insurer
- 6 is required to submit to the department for review, including, but
- 7 not limited to, a health insurance policy that is subject to Article
- 8 4.5 (commencing with Section 10181) of Chapter 1 of Part 2.
- 9 (b) The commissioner shall adopt regulations in accordance
- 10 with the Administrative Procedure Act (Chapter 3.5 (commencing
- 11 with Section 11340) of Part 1 of Division 3 of Title 2 of the
- 12 Government Code) to establish policies, guidelines, and procedures
- 13 to implement this section.
- 14 (c) *This section does not apply if consumers' rates would*
- 15 *increase.*

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