

Introduced by Senator LaraFebruary 21, 2014

An act to amend Sections 11629.7, 11629.71, and 11629.72 of, and to repeal Section 11629.84 of, the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1273, as introduced, Lara. Insurance: low-cost automobile insurance program.

Existing law establishes within the California Automobile Assigned Risk Plan (CAARP) a low-cost automobile insurance program for all counties in California, until January 1, 2016, in order to provide a means for eligible consumers to buy automobile insurance, as specified. The parameters of the program, include, but are not limited to, value limits for the insured vehicle, initial ratesetting for certain counties, a surcharge for specified high-risk drivers, eligibility, sales commissions set at the rate CAARP pays for private passenger nonfleet risks, cancellation restrictions, and reporting requirements.

This bill would revise and recast the parameters of the program by, among other things, deleting provisions that limit the initial implementation of the program to specified counties and require the Insurance Commissioner to make a need-based assessment as to implementation in all other counties, deleting the repeal date of the program, thereby extending the operation of the program indefinitely, and deleting the limits on the value of an automobile that can be insured through the program. The bill would also expand the surcharge and eligibility requirements to include drivers with fewer than 3 years of driving history, including a person who operates a motor vehicle with a specified type of driver's license, or drivers who have not been continually licensed for the past 3 years.

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 11629.7 of the Insurance Code is
 2 amended to read:

3 11629.7. (a) There is established, within the California
 4 Automobile Assigned Risk Plan established under Section 11620,
 5 a low-cost automobile insurance program for all counties in
 6 California.

7 ~~(b) For the purpose of making the low-cost automobile~~
 8 ~~insurance program operational in all counties of California,~~
 9 ~~pursuant to subdivision (a), a low-cost automobile insurance~~
 10 ~~program shall commence operations in the Counties of Alameda,~~
 11 ~~Fresno, Orange, Riverside, San Bernardino, and San Diego,~~
 12 ~~effective April 1, 2006, and shall be made operational in all other~~
 13 ~~counties of California based upon a determination of need made~~
 14 ~~by the commissioner. Program outreach shall focus primarily on~~
 15 ~~those counties which have the highest number of uninsured drivers~~
 16 ~~or the highest percentage of uninsured drivers or the highest~~
 17 ~~percentage of low-income individuals. In making the determination~~
 18 ~~of need for each county, the commissioner shall consider each of~~
 19 ~~the following:~~

20 ~~(1) The number or percentage of motorists within the county~~
 21 ~~who are uninsured.~~

22 ~~(2) The number or percentage of residents within the county~~
 23 ~~who are low income.~~

24 ~~(3) The availability of affordable automobile insurance options~~
 25 ~~for the county's low-income residents within the private automobile~~
 26 ~~insurance marketplace.~~

27 ~~(e) (1) After making the initial determination of need, the~~
 28 ~~commissioner shall, as soon as is practicable, hold a public meeting~~
 29 ~~in that county.~~

30 ~~(2) The public meeting required by paragraph (1) shall be held~~
 31 ~~not for the consideration of rates, but for the public discussion of~~
 32 ~~the need and desirability of the program for the consumers of the~~
 33 ~~county. Within 30 days after the public meeting, the commissioner~~
 34 ~~shall make public his or her final determination of whether a need~~

1 ~~for the program exists within the county. A separate hearing shall~~
2 ~~be held for the consideration of rates pursuant to Section 11629.72.~~

3 ~~(d)~~

4 (b) The commissioner, after a public hearing, shall approve or
5 issue a reasonable plan for the equitable apportionment, among
6 insurers required to participate in the California Automobile
7 Assigned Risk Plan established under Section 11620, of persons
8 ~~residing in the counties or cities and counties set forth in~~
9 ~~subdivisions (a) and (b) who are eligible to purchase through the~~
10 ~~program established in each county or city and county a low-cost~~
11 ~~automobile insurance policy, as described in Section 11629.71.~~
12 The program shall be conducted in conjunction with the California
13 Automobile Assigned Risk Plan established under Section 11620.

14 SEC. 2. Section 11629.71 of the Insurance Code is amended
15 to read:

16 11629.71. A low-cost automobile insurance policy for purposes
17 of the program established under this article shall have all of the
18 following attributes:

19 (a) The policy shall offer coverage in the amount of ten thousand
20 dollars (\$10,000) for bodily injury to, or death of, each person as
21 a result of any one accident and, subject to that limit as to one
22 person, the amount of twenty thousand dollars (\$20,000) for bodily
23 injury to, or death of all persons as a result of any one accident,
24 and the amount of three thousand dollars (\$3,000) for damage to
25 property of others as a result of any one accident.

26 (b) The coverage required by Section 11580.2 shall be made
27 available to the consumer. However, an insurer may charge a
28 premium for that coverage in addition to the premium set forth in
29 Section 11629.72. Notwithstanding the coverage amounts required
30 by Section 11580.2 and Section 16056 of the Vehicle Code,
31 uninsured motorist coverage issued in conjunction with a low-cost
32 automobile policy under the program, with coverage limits at least
33 equal to the limits of liability in the underlying low-cost automobile
34 policy, shall satisfy the requirements of Section 11580.2 and the
35 financial responsibility requirements of Sections 4000.37, 16021,
36 and 16431 of the Vehicle Code.

37 (c) Medical payments coverage shall be made available to the
38 consumer. However, an insurer may charge a premium for that
39 coverage in addition to the premium set forth in Section 11629.72.

1 (d) The policy shall have an initial term of one year, renewable
2 on an annual basis thereafter.

3 (e) The policy shall cover the person named in the policy, and
4 to the same extent that insurance is provided to the named insured,
5 any other person using the automobile, provided the use is with
6 his or her permission, express or implied, and within the scope of
7 that permission, except that the policy shall not cover members of
8 the named insured’s household who do not satisfy the requirements
9 of subdivisions (b) to (e), inclusive, of Section 11629.73.

10 ~~(f) The policy shall provide coverage for an automobile with a~~
11 ~~value, at the time of purchase by the insured, of twenty thousand~~
12 ~~dollars (\$20,000) or less, as evidenced by the value given to the~~
13 ~~automobile by the Department of Motor Vehicles in assessing~~
14 ~~vehicle license fees.~~

15 SEC. 3. Section 11629.72 of the Insurance Code is amended
16 to read:

17 11629.72. (a) ~~Effective March 1, 2003, the annual rate offered~~
18 ~~under the program for the low-cost automobile policy, unless and~~
19 ~~until the time that the rate is adjusted, shall be three hundred~~
20 ~~forty-seven dollars (\$347) per covered vehicle for the County of~~
21 ~~Los Angeles and three hundred fourteen dollars (\$314) per covered~~
22 ~~vehicle for the City and County of San Francisco, unless the~~
23 ~~commissioner establishes that rate or a different rate prior to that~~
24 ~~time. The annual rate offered initially under the program for each~~
25 ~~of the Counties of Alameda, Fresno, Orange, Riverside, San~~
26 ~~Bernardino, and San Diego shall be established by the~~
27 ~~commissioner no later than April 1, 2006. The annual rate offered~~
28 ~~initially under the program for each of the other counties in~~
29 ~~California shall be established at a date according to the discretion~~
30 ~~of the commissioner. A surcharge, as a percentage of the base rate,~~
31 ~~shall be added to the base rate and that percentage shall be set at~~
32 ~~the discretion of the commissioner, if the named insured is an~~
33 ~~unmarried the named insured or a resident of the household of the~~
34 ~~named insured will be a driver of the automobile covered under~~
35 ~~the low-cost policy, and is any of the following:~~

36 (1) ~~An unmarried male between the ages of 19 and 24, inclusive,~~
37 ~~or if an unmarried male between the ages of 19 and 24, inclusive,~~
38 ~~resides in the household of the named insured and will be a driver~~
39 ~~of the automobile covered under the low-cost policy years of age.~~

1 (2) Operates a vehicle with a driver's license issued by the
2 Department of Motor Vehicles pursuant to Section 12801.9 of the
3 Vehicle Code and has fewer than three years of driving history.

4 (3) Has fewer than three years of driving history.

5 (4) Has not been continually licensed to drive for the past three
6 years.

7 (b) (1) In addition to existing premium installment options
8 offered by the California Automobile Assigned Risk Plan under
9 Article 4 (commencing with Section 11620), the plan shall also
10 make available to an insured under the program a premium
11 installment option pursuant to which an insured is required to pay
12 not more than 15 percent of the total policy cost upon issuance of
13 the low-cost policy, followed thereafter by six other payments. ~~No~~

14 (2) Beginning on January 1, 2015, the commissioner may
15 approve or issue new installment plans in addition to or replacing
16 those offered pursuant to paragraph (1).

17 (3) No other premium financing arrangement shall be permitted.

18 (c) Rates for policies issued under the program in each county
19 or city and county shall be reviewed and revised as follows:

20 (1) Rates shall be sufficient to cover (A) losses incurred under
21 policies issued under the program, and (B) expenses, including,
22 but not limited to, all reasonable and necessary expenses such as
23 the costs of administration, underwriting, taxes, commissions, and
24 claims adjusting, that are incurred due to participation in the
25 program. For purposes of this paragraph, "losses incurred" means
26 claims paid, claims incurred and reported, and claims incurred but
27 not yet reported. In assessing loss reserves, the commissioner shall
28 only allow loss reserves that are estimated from actual losses in
29 the program or comparable data by a licensed statistical agent, as
30 adjusted to reflect coverage provided under the program.

31 (2) Rates shall be set so as to result in no projected subsidy of
32 the program by those policyholders of insurers issuing policies
33 under the program who are not participants in the program.

34 (3) Rates shall be set with respect to the program so as to result
35 in no projected subsidy by policyholders in one county of
36 policyholders in any of the other counties.

37 (4) Commencing on January 1, ~~2001~~ 2015, and ~~annually~~ no less
38 than every three years thereafter, the California Automobile
39 Assigned Risk Plan shall submit the loss and expense data, together
40 with a proposed rate and the surcharge authorized by subdivision

1 (a) for the low-cost automobile policy for the program, to the
2 commissioner for approval in accordance with this chapter. The
3 commissioner shall act on the recommendation within 90 days.

4 SEC. 4. Section 11629.84 of the Insurance Code is repealed.

5 ~~11629.84. This article shall remain in effect only until January~~
6 ~~1, 2016, and as of that date is repealed, unless a later enacted~~
7 ~~statute, that is enacted before January 1, 2016, deletes or extends~~
8 ~~that date.~~