

AMENDED IN SENATE JUNE 29, 2015

AMENDED IN ASSEMBLY APRIL 30, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 387

Introduced by Assembly Member McCarty

February 18, 2015

An act to amend Section 10290 ~~of of~~, to add Section 10191.1 to, and to add and repeal Section 10191.5 of, the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 387, as amended, McCarty. Insurance: ~~disability policy:~~ ~~commissioner approval.~~ *life and disability policies.*

Existing law authorizes the Insurance Commissioner to promulgate, from time to time as conditions warrant, after notice and hearing, reasonable rules and regulations, and amendments and additions to those rules and regulations, as are necessary or advisable in order to establish and maintain a procedure for the filing and approval of specified documents prior to their issuance, delivery, or use in this state.

This bill would authorize the commissioner to develop and publish procedural requirements, guidelines, and standard insurance contract language for the purpose of streamlining and expediting the Department of Insurance's file review process for life and disability insurance forms. The bill would require an expanded cover letter to be used to clearly document and demonstrate compliance with those published standards, as specified, in order to expedite review. The bill would require the department to make those published standards available on the department's Internet Web site, as specified.

Existing law provides various protections for consumers of annuity, life, disability income, and long-term care insurance products, such as the requirement that the recommendation of an insurer or an entity marketing an annuity or long-term care insurance product regarding the purchase of those products be based on suitability standards that are designed to ensure that the individual consumer’s needs are met.

This bill would require the commissioner to commission an independent study to examine and report on the extent to which consumer protections for annuity, life, disability income, and long-term care insurance products differ from uniform standards developed by the Interstate Insurance Product Regulation Commission, to the extent the commissioner receives solicited, nonpublic funds for that purpose. The bill would require the commissioner to submit the report to the Legislature, as specified, no later than January 1, 2017. The bill would repeal those provisions on January 1, 2021.

Existing law provides for the licensing and regulation of disability insurers by the Department of Insurance. Existing law prohibits a disability policy from being issued until certain requirements are met. One of these conditions is if either (1) 30 days passes without notice from the Insurance Commissioner after a copy of the policy is filed with the commissioner; or (2) the commissioner gives written approval prior to the expiration of the 30 days.

This bill would increase that time period to 120 calendar days.

Vote: majority. 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 10191.1 is added to the Insurance Code,
- 2 to read:
- 3 10191.1. (a) In order to streamline the department’s file review
- 4 process for life and disability insurance forms, the commissioner
- 5 may develop and publish all of the following:
- 6 (1) Procedural requirements for file submission.
- 7 (2) Guidelines and checklists that list and interpret applicable
- 8 required and optional insurance statutes and regulations.
- 9 (3) Standard insurance contract language previously approved
- 10 by the department.
- 11 (b) Documented use of the published standards described in
- 12 paragraphs (1) to (3), inclusive, of subdivision (a) will enable the

1 department to expedite its review process. In order to expedite file
2 review, an expanded cover letter, in a format published by the
3 department, shall be used to clearly document and demonstrate
4 compliance with those standards.

5 (c) A publication developed pursuant to this section shall be
6 made available on a dedicated page of the department's Internet
7 Web site.

8 SEC. 2. Section 10191.5 is added to the Insurance Code, to
9 read:

10 10191.5. (a) (1) The commissioner shall commission an
11 independent study to examine and report on the extent to which
12 the uniform standards set forth in the Interstate Insurance Product
13 Regulation Compact developed by the Interstate Insurance Product
14 Regulation Commission provide consumer protections that are
15 equivalent to those established under state law for annuity, life,
16 disability income, and long-term care insurance products.

17 (2) The report described in paragraph (1) shall, to the extent
18 feasible, also highlight the substantive differences between the
19 uniform standards set forth in the Interstate Insurance Product
20 Regulation Compact and the statutory requirements under state
21 law for annuity, life, disability income, and long-term care
22 insurance products.

23 (b) (1) The commissioner shall submit the report described in
24 paragraph (1) of subdivision (a) to the Chairpersons of the
25 Assembly and Senate committees on insurance no later than
26 January 1, 2017. The report shall be made in compliance with
27 Section 9795 of the Government Code.

28 (2) The commissioner shall have the right to review and approve
29 the final report prior to its submission to the Legislature.

30 (c) This section shall be implemented only to the extent that
31 solicited, nonpublic funds are received and made available for the
32 commission of the independent study. No moneys from the General
33 Fund or the Insurance Fund may be used to implement this section.

34 (d) This section shall remain in effect only until January 1, 2021,
35 and as of that date is repealed, unless a later enacted statute, that
36 is enacted before January 1, 2021, deletes or extends that date.

37 SECTION 1.

38 SEC. 3. Section 10290 of the Insurance Code is amended to
39 read:

- 1 10290. A disability policy shall not be issued or delivered to
2 any person in this state until both of the following conditions are
3 met:
- 4 (a) A copy of the form thereof and, if more than one class of
5 risks is written, of the classification of risks, and the premium rates
6 pertaining thereto are filed with the commissioner.
 - 7 (b) Either of the following occurs:
 - 8 (1) One hundred twenty calendar days expire without notice
9 from the commissioner after the copy is filed.
 - 10 (2) The commissioner gives his or her written approval prior to
11 that time.