

AMENDED IN SENATE AUGUST 31, 2015

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, 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: 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~~ *advise and present recommendations to a multistate regulatory support organization, which is authorized to commission and pay for 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 are received* for that purpose. The bill would require the commissioner to submit the ~~report~~ *study* 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~~ *pass* 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: 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.

1 (b) Documented use of the published standards described in
2 paragraphs (1) to (3), inclusive, of subdivision (a) will enable the
3 department to expedite its review process. In order to expedite file
4 review, an expanded cover letter, in a format published by the
5 department, shall be used to clearly document and demonstrate
6 compliance with those standards.

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

10 SEC. 2. Section 10191.5 is added to the Insurance Code, to
11 read:

12 10191.5. (a) (1) The commissioner shall *advise and present*
13 *recommendations to a multistate regulatory support organization,*
14 *which is authorized to* commission an independent study to
15 examine and report on the extent to which the uniform standards
16 set forth in the Interstate Insurance Product Regulation Compact
17 developed by the Interstate Insurance Product Regulation
18 Commission provide consumer protections that are equivalent to
19 those established under state law for annuity, life, disability income,
20 and long-term care insurance products.

21 (2) *Notwithstanding any other provision of law, the independent*
22 *study described in paragraph (1) is not a personal services contract*
23 *as described in Section 19130 of the Government Code.*

24 ~~(2)~~

25 (3) ~~The report independent study~~ described in paragraph (1)
26 shall, to the extent feasible, ~~also~~ highlight the substantive
27 differences between the uniform standards set forth in the Interstate
28 Insurance Product Regulation Compact and the statutory
29 requirements under state law for annuity, life, disability income,
30 and long-term care insurance products.

31 (b) (1) ~~The Subject to paragraph (2), the~~ commissioner shall
32 submit the ~~report independent study~~ described in paragraph (1) of
33 subdivision (a) to the Chairpersons of the Assembly and Senate
34 committees on insurance no later than January 1, 2017. ~~The report~~
35 *study shall be made submitted* in compliance with Section 9795
36 of the Government Code.

37 (2) The commissioner ~~shall have the right to~~ *may* review and
38 approve the final ~~report study~~ prior to its submission to the
39 Legislature.

1 (c) *The independent study described in paragraph (1) of*
2 *subdivision (a) shall be commissioned and paid for by a multistate*
3 *regulatory support organization, subject to the advice and*
4 *recommendations of the commissioner.* This section shall be
5 implemented only to the extent that solicited, nonpublic funds are
6 received and made available for the commission of the independent
7 study. No moneys from the General Fund or the Insurance Fund
8 may be used to implement this section.

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

12 SEC. 3. Section 10290 of the Insurance Code is amended to
13 read:

14 10290. A disability policy shall not be issued or delivered to
15 any person in this state until both of the following conditions are
16 met:

17 (a) A copy of the form thereof and, if more than one class of
18 risks is written, of the classification of risks, and the premium rates
19 pertaining thereto are filed with the commissioner.

20 (b) Either of the following occurs:

21 (1) One hundred twenty calendar days expire without notice
22 from the commissioner after the copy is filed.

23 (2) The commissioner gives his or her written approval prior to
24 that time.