

Assembly Bill No. 387

CHAPTER 691

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

[Approved by Governor October 9, 2015. Filed with
Secretary of State October 9, 2015.]

LEGISLATIVE COUNSEL'S DIGEST

AB 387, 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 request that a multistate regulatory support organization commission a 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. The bill would prohibit the use of moneys from the General Fund or the Insurance Fund to carry out the study. The bill would authorize the commissioner to comment on the final study and would require the commissioner to submit the study to the Legislature, as specified, upon its completion.

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 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.

The people of the State of California do enact as follows:

SECTION 1. Section 10191.1 is added to the Insurance Code, to read:

10191.1. (a) In order to streamline the department's file review process for life and disability insurance forms, the commissioner may develop and publish all of the following:

- (1) Procedural requirements for file submission.
- (2) Guidelines and checklists that list and interpret applicable required and optional insurance statutes and regulations.
- (3) Standard insurance contract language previously approved by the department.

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

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

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

10191.5. (a) (1) The commissioner shall request that a multistate regulatory support organization commission a study to examine and report on the extent to which the uniform standards set forth in the Interstate Insurance Product Regulation Compact developed by the Interstate Insurance Product Regulation Commission provide consumer protections that are equivalent to those established under state law for annuity, life, disability income, and long-term care insurance products.

(2) The commissioner's request for the study described in paragraph (1) shall include a request that the study be completed no later than January 1, 2017, and that the study, to the extent feasible, highlight the substantive differences between the uniform standards set forth in the Interstate Insurance Product Regulation Compact and the statutory requirements under state law for annuity, life, disability income, and long-term care insurance products.

(b) (1) Upon completion of the study described in paragraph (1) of subdivision (a), the commissioner shall submit the study to the Chairpersons of the Assembly and Senate committees on insurance. The study shall be submitted in compliance with Section 9795 of the Government Code.

(2) The commissioner may review the final study prior to its submission to the Legislature, and submit written comments on the results of the study to the Legislature when submitting the study to the Legislature pursuant to paragraph (1).

(c) No moneys from the General Fund or the Insurance Fund may be used to implement this section.

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

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

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

(b) Either of the following occurs:

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

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