

AMENDED IN ASSEMBLY APRIL 28, 2015

AMENDED IN ASSEMBLY APRIL 13, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1072

Introduced by Assembly Member Daly

February 27, 2015

An act to add and repeal Section 11401.5 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1072, as amended, Daly. Insurance: ~~firefighters~~ *firefighters*' or police officers' benefit and relief associations.

Existing law generally provides for the regulation of insurers by the Department of Insurance pursuant to laws set forth in the Insurance Code. Existing law authorizes the Insurance Commissioner to make certain examinations, investigations, and prosecutions and, upon making a determination of the existence of certain conduct, conditions, or grounds, to issue orders reasonably necessary to correct, eliminate, or remedy the conduct, conditions, or grounds.

Existing law exempts from the requirements set forth in the Insurance Code firemen's, policemen's, and peace officers' benefit and relief associations that comply with specified criteria, including, among other things, a requirement that the membership consist solely of peace officers, members of police or fire departments, and emergency medical personnel employed by fire departments, as specified. Existing law prohibits an association from operating or doing business in the state without a certificate of authority.

This bill would require every association that holds a certificate of authority to submit to the commissioner the opinion, as specified, of a qualified actuary as to whether the reserves and related actuarial items that support the policies or contracts issued are based on assumptions that satisfy contractual provisions, are consistent with prior reported amounts, and are based on specified actuarial standards and procedures. The bill would also require an association seeking a certificate of authority to file an opinion that meets specified requirements and that establishes that it would have adequate resources to provide benefits, as specified, as required to satisfy its proposed contractual obligations. The bill would require the commissioner to notify the association of the deficiencies in the filing if the association fails to provide an opinion and supporting memoranda to the commissioner that meets the requirements of the bill, as specified. The bill would also require the commissioner, if he or she determines that the laws governing these associations are inadequate to protect the interests of the members of the associations, to develop and deliver recommendations to the Assembly Committee on Insurance and the Senate Committee on Insurance regarding changes in the law that would better protect the interests of members of the associations. The provisions of the bill would remain in effect only until December 31, 2018, and as of that date are repealed.

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 11401.5 is added to the Insurance Code,
 2 to read:
 3 11401.5. (a) (1) Each association that holds a certificate of
 4 authority pursuant to this chapter shall submit to the commissioner
 5 the opinion of a qualified actuary as to whether the reserves and
 6 related actuarial items that support the policies or contracts issued
 7 pursuant to this chapter, including policies and contracts issued
 8 by entities established by these associations that provide benefits
 9 described in this chapter, are based on assumptions that satisfy
 10 contractual provisions, are consistent with prior reported amounts,
 11 and are based on actuarial standards and procedures established
 12 by the American Academy of Actuaries and the Actuarial Standards
 13 Board. An association that holds a certificate of authority pursuant

1 to this chapter shall file its initial opinion no later than July 1,
2 2016, and each July 1 thereafter. 2016.

3 (2) An association seeking a certificate of authority pursuant to
4 this chapter shall file an opinion, to the extent feasible, that
5 establishes that it would have adequate resources to provide
6 benefits described in this chapter as required to satisfy its proposed
7 contractual obligations.

8 (b) The opinion required by subdivision (a) shall include an
9 opinion with supporting memoranda consistent with the same
10 qualified actuary as to whether the reserves and related actuarial
11 items held in support of the policies and contracts, when considered
12 in light of the assets held by the association with respect to the
13 reserves and related actuarial items, including, but not limited to,
14 the investment earnings on the assets and the considerations
15 anticipated to be received and retained under the policies and
16 contracts, and shall make adequate provision for the association's
17 obligations under the policies and contracts, including, but not
18 limited to, the benefits under any expenses associated with the
19 policies and contracts.

20 (c) The opinion required by subdivision (b) shall be governed
21 by the following provisions:

22 (1) It shall include a memorandum, in form and ~~substance,~~
23 *substance* consistent with actuarial standards and procedures
24 established by the American Academy of Actuaries and the
25 Actuarial Standards Board, in support of the opinion.

26 (2) If the association fails to provide an opinion and supporting
27 memoranda to the commissioner that meets the requirements of
28 this section, the commissioner shall notify the association of the
29 deficiencies in the filing, and shall make a specific request that
30 identifies the issues that should be addressed in an amended filing.

31 (d) If the commissioner determines, after a review of the filings
32 from the ~~associations~~ *associations*, that the laws governing these
33 associations are inadequate to protect the interests of the members
34 of the associations, he or she shall develop and deliver
35 recommendations to the Assembly Committee on Insurance and
36 the Senate Committee on Insurance regarding changes in the law
37 that would better protect the interests of members of the
38 associations.

39 (e) This section shall remain in effect only until December 31,
40 2018, and as of that date is repealed, unless a later enacted statute,

1 that is enacted before December 31, 2018, deletes or extends that
2 date.

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