

AMENDED IN SENATE JUNE 1, 2015

AMENDED IN ASSEMBLY APRIL 6, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1512**

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**Introduced by Committee on Insurance**

March 5, 2015

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An act to amend Section 396 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1512, as amended, Committee on Insurance. Insurance: notice of lapse.

Existing law requires an insurance policy to specify certain information, including, but not limited to, the parties to the contract, the property or life insured, the risks insured against, premium, and the coverage period. Existing law, commencing January 1, 2016, and with regard to private passenger automobile insurance that provides coverage for 6 months or longer, specified residential property insurance, and policies of individual disability income insurance that are issued and take effect or that are renewed on or after January 1, 2016, requires an insurer to maintain a verifiable process or adopt a procedure that allows an applicant or policyholder to designate one additional person to receive notice of lapse, termination, expiration, nonrenewal, or cancellation of a policy for nonpayment of premium, as specified. Existing law provides that if an insurer opts to adopt the verifiable process, then the insurer, shall provide the policyholder, within 30 days after the inception of an individual policy, with notice of the right to designate one person. Existing law provides that if a ~~policy holder~~ *policyholder* pays the

premium for an insurance policy through a payroll or pension deduction plan, then the notice of the right to designate one person need only be sent within 60 days after the policyholder is no longer on that deduction payment plan. Existing law further requires the application form for an insurance policy to clearly indicate the deduction payment plan selected by the applicant.

This bill would delete the requirement that the application form clearly indicate the deduction payment plan selected by the applicant. The bill would make these provisions inapplicable to a policy of disability income insurance if the premiums for the policy are paid entirely by the employer.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

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

- 1 SECTION 1. Section 396 of the Insurance Code is amended
- 2 to read:
- 3 396. (a) An insurer shall do either of the following:
- 4 (1) Maintain a verifiable process that allows a policyholder to
- 5 designate in writing or by electronic transmission pursuant to
- 6 Section 38.5 one additional person to receive notice of lapse,
- 7 termination, expiration, nonrenewal, or cancellation of a policy
- 8 for nonpayment of premium. The insurer shall notify the
- 9 policyholder in writing or by electronic transmission pursuant to
- 10 Section 38.5 of this right at the time of the application or within
- 11 30 days after the inception date of an individual policy described
- 12 in subdivision (f), and at least every two years thereafter. The
- 13 notification described in this subdivision shall instruct the
- 14 policyholder how to request the designation and how to replace
- 15 or delete a designee. If a policyholder initiates contact with the
- 16 insurer after the insurer has provided notice and the insurer
- 17 complies with the policyholder’s request to establish or change
- 18 the additional person to receive the notice described in this section,
- 19 the insurer shall not be required to maintain additional verification.
- 20 (2) Comply with subdivision (b).
- 21 (b) An insurer that adopts the following procedure shall be
- 22 deemed to have complied with subdivision (a).
- 23 (1) Unless an applicant for insurance has been provided notice
- 24 of the right set forth in this section prior to inception of the policy,

1 the insurer shall provide the policyholder, within 30 days after the  
2 inception date of an individual policy described in subdivision (f),  
3 with notice of the right to designate one person, in addition to the  
4 policyholder, to receive notice of lapse, termination, expiration,  
5 nonrenewal, or cancellation of a policy for nonpayment of  
6 premium. The insurer shall provide each applicant or policyholder  
7 with notice in writing or by electronic transmission pursuant to  
8 Section 38.5 of the opportunity to make the designation. That  
9 notice shall instruct the applicant or policyholder on how he or  
10 she is to submit the name and address of one person, in addition  
11 to the applicant or policyholder, who is to receive notice of lapse,  
12 termination, expiration, nonrenewal, or cancellation of the policy  
13 for nonpayment of premium.

14 (2) If after having been provided notice from the insurer of the  
15 right to designate an individual to receive notice of lapse,  
16 termination, expiration, nonrenewal, or cancellation for  
17 nonpayment of premium, the applicant or policyholder fails to  
18 designate an individual within 30 days, the applicant or  
19 policyholder shall be conclusively presumed to have declined the  
20 opportunity to exercise his or her right at that time.

21 (3) Notwithstanding subparagraph (C) of paragraph (2) of  
22 subdivision (a) of Section 791.13 or any other law, the insurer  
23 shall retain and utilize as necessary the contact information  
24 provided in the written designation for the lifetime of the policy,  
25 and allow the policyholder to update the written designation if the  
26 policyholder so requests.

27 (c) (1) A policyholder retains the right to designate the one  
28 additional person to receive notice of lapse, termination, expiration,  
29 nonrenewal, or cancellation for nonpayment of premium at any  
30 time, at the initiative of the policyholder, regardless of whether  
31 the policyholder previously declined to exercise that right. At least  
32 every two years, the insurer shall notify the policyholder in writing  
33 or by electronic transmission pursuant to Section 38.5, of  
34 whichever of the following applies:

35 (A) If a policyholder has previously provided a designation  
36 pursuant to this subdivision, in writing or by electronic transmission  
37 pursuant to Section 38.5, the right to change the prior designation  
38 by replacing or deleting a person to receive notice of lapse,  
39 termination, expiration, nonrenewal, or cancellation for  
40 nonpayment of premium.

1 (B) If the policyholder has not previously designated a person  
2 to receive the notice of lapse, termination, expiration, nonrenewal,  
3 or cancellation for nonpayment of premium pursuant to this  
4 subdivision, the right to designate a person to receive notice of  
5 lapse, termination, expiration, nonrenewal, or cancellation for  
6 nonpayment of premium.

7 (2) The notice requirements in subparagraphs (A) and (B) of  
8 paragraph (1) may be provided to a policyholder in a single notice  
9 and shall not require two separate notices.

10 (d) When a policyholder pays the premium for an insurance  
11 policy through a payroll or pension deduction plan, the  
12 requirements contained in paragraph (1) of subdivision (b) need  
13 not be met until 60 days after the policyholder is no longer on that  
14 deduction payment plan.

15 (e) An insurance policy shall not lapse or be terminated for  
16 nonpayment of premium unless the insurer, at least 10 days prior  
17 to the effective date of the lapse, termination, expiration,  
18 nonrenewal, or cancellation, gives notice to the individual  
19 designated pursuant to subdivision (a) or (b) at the address provided  
20 by the policyholder for purposes of receiving the notice of lapse,  
21 termination, expiration, nonrenewal, or cancellation for  
22 nonpayment of premium. Notwithstanding any other law, notice  
23 shall be given by first-class United States mail, postage prepaid,  
24 within 10 days after the premium is due and unpaid. This  
25 subdivision does not modify requirements for notice to the  
26 policyholder of lapse, termination, expiration, nonrenewal, or  
27 cancellation set forth in other sections of this code.

28 (f) This section applies only to policies of private passenger  
29 automobile insurance that provide coverage for six months or  
30 longer, policies of residential property insurance as described in  
31 subdivision (a) of Section 10087 that take effect or that are renewed  
32 after the effective date of this section, and policies of individual  
33 disability income insurance as described in subdivision (i) of  
34 Section 799.01, except if the premiums for the *individual disability*  
35 *income* policy are paid entirely by the employer.

36 (g) This section applies to policies that are issued and take effect  
37 or that are renewed on or after January 1, 2016.

38 (h) An individual designated by a policyholder pursuant to this  
39 section to receive notice of lapse, termination, expiration,  
40 nonrenewal, or cancellation of the policy for nonpayment of

- 1 premium does not have any rights, whether as an additional insured
- 2 or otherwise, to any benefits under the policy, other than the right
- 3 to receive notice as provided by this section.
- 4 (i) This section shall become operative on January 1, 2016.

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