

**ASSEMBLY BILL**

**No. 582**

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**Introduced by Assembly Member Hoge**

February 17, 1995

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An act to amend Section 16725 of the Business and Professions Code, and to amend Section 1855.5 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 582, as introduced, Hoge. Insurance.

Existing law provides that it is not unlawful to enter into agreements or form associations or combinations, the purpose and effect of which is to promote, encourage, or increase competition in any trade or industry, or that are in furtherance of trade.

This bill would provide that it is not unlawful to engage in activities or use information compiled by insurance advisory organizations, as specified.

Under existing law, all insurance policy or bond forms or manuals, as specified, of an advisory organization are required, prior to being used by insurers, to be submitted in writing to the Insurance Commissioner for his or her consideration and approval, together with any information the commissioner may reasonably require.

This bill would provide that the contents of these manuals may include or be based on actuarially sound estimates of prospective costs.

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 16725 of the Business and  
2 Professions Code is amended to read:

3 16725. (a) It is not unlawful to enter into agreements  
4 or form associations or combinations, the purpose and  
5 effect of which is to promote, encourage or increase  
6 competition in any trade or industry, or ~~which~~ *that* are in  
7 furtherance of trade.

8 (b) *It is not unlawful to engage in activities or use*  
9 *information compiled pursuant to Article 4*  
10 *(commencing with Section 1855) of Chapter 9 of Part 2*  
11 *of Division 1 of the Insurance Code.*

12 SEC. 2. Section 1855.5 of the Insurance Code is  
13 amended to read:

14 1855.5. (a) All insurance policy or bond forms, or  
15 manuals, including policy writing rules, rating plans,  
16 classification codes and descriptions, territory codes and  
17 descriptions, and rules that include factors or relativities  
18 such as increased limits factors, classification relativities,  
19 or similar factors, of an advisory organization shall prior  
20 to being used by insurers be submitted in writing to the  
21 commissioner for his or her consideration and approval,  
22 together with any information the commissioner may  
23 reasonably require. *The contents of these manuals may*  
24 *include or be based on actuarially sound estimates of*  
25 *prospective costs.* All of those documents shall be  
26 available for public inspection at the office of the  
27 commissioner. The commissioner shall approve only  
28 those policy forms or bonds forms, or manuals, that are  
29 found by him or her to contemplate activities and  
30 practices that are not unfair, unreasonable, or otherwise  
31 inconsistent with the provisions of this code, including  
32 Sections 1861.02 and 1861.05.

33 (b) Upon submission of any policy forms or bond  
34 forms, or manuals, the commissioner may review them,  
35 and if after a hearing, at which representatives of  
36 consumers and other interested parties may participate,  
37 upon not less than 10 days' notice to an advisory  
38 organization he or she finds that the policy forms or bond



1 forms, or manuals, are unfair or unreasonable, or are  
2 otherwise inconsistent with the provisions of this chapter,  
3 he or she may issue a written order to the advisory  
4 organization specifying in what respect the policy forms,  
5 bond forms, or manuals, are unfair or unreasonable or  
6 otherwise inconsistent with the provisions of this chapter  
7 and disapprove the use of the forms or manuals.  
8 Notwithstanding the provisions of this section, if the  
9 commissioner fails to act within 90 days of the submission  
10 of a proposed policy or bond form, or manual by an  
11 advisory organization, the policy or bond form, or  
12 manual, shall be deemed approved. For good cause, and  
13 after a hearing, at which representatives of consumers  
14 and other interested parties may participate, upon not  
15 less than 10 days' notice to the advisory organization, the  
16 commissioner may revoke approval of any policy form or  
17 bond form or manual.

18 (c) Nothing in this chapter shall be interpreted to  
19 allow an advisory organization to set or establish rates or  
20 to issue any manual that contains final rates for any  
21 insurance coverage, policy endorsement, or bond.

