

AMENDED IN SENATE JULY 7, 1996  
AMENDED IN SENATE JUNE 25, 1996  
AMENDED IN SENATE JUNE 11, 1996  
AMENDED IN ASSEMBLY MAY 24, 1996  
AMENDED IN ASSEMBLY MAY 16, 1996  
AMENDED IN ASSEMBLY MARCH 27, 1996

CALIFORNIA LEGISLATURE—1995–96 REGULAR SESSION

**ASSEMBLY BILL**

**No. 3137**

**Introduced by Assembly Member Miller**

February 23, 1996

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An act to amend Section 1517 of, and to add and repeal Section 1523 of, the Code of Civil Procedure, and to add Sections ~~12936~~ 736.5, 12936, and 12937 to the Insurance Code, relating to insurance, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 3137, as amended, Miller. Insurance: insurers: escheat.

Existing law provides that all property, as defined, distributable in the course of a voluntary or involuntary dissolution or liquidation of a business association that is unclaimed by the owner within 6 months after the date of final distribution or liquidation escheats to the state. Escheated property is administered by the Controller, with money and proceeds from the sale of property deposited in the

Abandoned Property Account in the Unclaimed Property Fund, to be transferred on a regular basis to the General Fund, as specified.

This bill would provide for transfer to the Department of Insurance of all property distributable in the course of voluntary or involuntary dissolution or liquidation of an insurer, as specified, with any proceeds of sale of property or other funds to be deposited in the Insurance Fund for expenditure by the Insurance Commissioner to fund proceedings and to pay expenses on nonasseted estates for which liabilities have been or will be incurred.

This bill would also provide that insurance rebates ordered or negotiated pursuant to Proposition 103 would escheat to the state if an insurer, after a good faith effort, determined that the policyholder entitled to the rebate could not be located, as specified. This provision would be repealed upon a determination by the Insurance Commissioner that all Proposition 103 rebates have been paid or have escheated to the state, as specified. These funds would be deposited in the Insurance Fund, *except as specified*, and would be available for expenditure by the commissioner to ~~fund consumer services programs and to bring enforcement actions against insurers, as specified to repay a specified loan.~~ *The bill would state legislative intent.*

The bill would allow a policyholder to file a claim for escheated funds that have been deposited in the Insurance Fund, as specified. The department would not be required to conduct outreach programs to locate policyholders.

Since this bill would affect the distribution of insurance rebates ordered or negotiated under Proposition 103, it would amend Proposition 103 and, thus, would require a  $2/3$  vote for enactment.

~~This bill would provide that it shall not become operative unless AB 3233 is also enacted and becomes operative on or before January 1, 1997.~~

*Existing law provides for the examination of insurers and other persons by the commissioner in various instances, and authorizes the collection of the expense of the examination from the insurer or other person examined.*



*This bill would provide that the revenue raised from the examination of insurers and other persons in the 1996–97 fiscal year shall not exceed the examination fee revenue estimate for the 1996–97 Governor’s Budget by more than \$2,000,000.*

This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . 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 1517 of the Code of Civil  
2 Procedure is amended to read:

3 1517. (a) All property distributable in the course of a  
4 voluntary or involuntary dissolution or liquidation of a  
5 business association that is unclaimed by the owner  
6 within six months after the date of final distribution or  
7 liquidation escheats to this state.

8 (b) All property distributable in the course of  
9 voluntary or involuntary dissolution or liquidation of an  
10 insurer or other person brought under Article 14  
11 (commencing with Section 1010) of Chapter 1 of Part 2  
12 of Division 1 of the Insurance Code, that is unclaimed by  
13 the owner after six months of the date of final distribution,  
14 shall be transferred to the Department of Insurance, with  
15 any proceeds of sale of property and other funds to be  
16 deposited in the Insurance Fund for expenditure as  
17 provided in Section 12937 of the Insurance Code.

18 (c) This section applies to all tangible personal  
19 property located in this state and, subject to Section 1510,  
20 to all intangible personal property.

21 SEC. 2. Section 1523 is added to the Code of Civil  
22 Procedure, to read:

23 1523. (a) If an insurer, after a good faith effort to  
24 locate and deliver to a policyholder a Proposition 103  
25 rebate ordered or negotiated pursuant to Section 1861.01  
26 of the Insurance Code, determines that a policyholder  
27 cannot be located, all funds attributable to that rebate  
28 ~~escheat to the state. The funds that are subject to escheat~~  
29 ~~on or after January 1, 1996, shall be transferred to the~~



1 ~~Department of Insurance for deposit in the Insurance~~  
 2 ~~Fund, for expenditure as provided in Section 12936 of the~~  
 3 ~~Insurance Code. The remaining funds shall be deposited~~  
 4 ~~in the Unclaimed Property Fund and transferred as~~  
 5 ~~provided in Section 1564. escheat to the state. The funds~~  
 6 ~~subject to escheat during the 1996–97 fiscal year in excess~~  
 7 ~~of fourteen million dollars (\$14,000,000), shall be~~  
 8 ~~transferred to the Department of Insurance for deposit in~~  
 9 ~~the Insurance Fund, for expenditure as provided in~~  
 10 ~~Section 12936 of the Insurance Code. The funds subject to~~  
 11 ~~escheat during the 1997–98 fiscal year shall be similarly~~  
 12 ~~deposited in the Insurance Fund up to the amount that,~~  
 13 ~~when combined with the amounts transferred to the~~  
 14 ~~Insurance Fund under this subdivision during the~~  
 15 ~~1996–97 fiscal year, will repay principal and interest on~~  
 16 ~~the General Fund loan authorized by Item 0845-001-0001~~  
 17 ~~of the 1996 Budget Act.~~

18 (b) *It is the intent of the Legislature that the*  
 19 *provisions of this section shall not constitute precedent*  
 20 *for any future diversions of escheated money from any*  
 21 *source to any fund other than the General Fund.*

22 (c) Upon a determination by the Commissioner of  
 23 Insurance that all Proposition 103 rebates pursuant to  
 24 Section 1861.01 of the Insurance Code have been paid to  
 25 policyholders or have escheated and have been  
 26 transferred pursuant to subdivision (a), the  
 27 commissioner shall notify the Secretary of State of that  
 28 determination, and this section shall as of that date be  
 29 repealed.

30 SEC. 3. *Section 736.5 is added to the Insurance Code,*  
 31 *to read:*

32 *736.5. The provisions of Section 736 notwithstanding,*  
 33 *the revenue raised from the examination of insurers and*  
 34 *other persons under this article in the 1996–97 fiscal year*  
 35 *shall not exceed the examination fee revenue estimate for*  
 36 *the 1996–97 Governor’s Budget by more than two million*  
 37 *dollars (\$2,000,000).*

38 SEC. 4. Section 12936 is added to the Insurance Code,  
 39 to read:



1 12936. (a) Escheated funds deposited in the  
2 Insurance Fund pursuant to Section 1523 of the Code of  
3 ~~Civil Procedure shall be available for expenditure by the~~  
4 ~~commissioner to fund consumer services programs of the~~  
5 ~~department, including services provided pursuant to~~  
6 ~~Sections 12921.1, 12921.3, and 12921.4. The funds may also~~  
7 ~~be used to bring enforcement actions against insurers,~~  
8 ~~when appropriate. Civil Procedure shall be transferred to~~  
9 ~~the General Fund on June 30, 1998, to repay the principal~~  
10 ~~and interest on the General Fund loan provided pursuant~~  
11 ~~to Item 0845-001-0001 of the 1996 Budget Act.~~

12 (b) A policyholder who was entitled to a rebate  
13 pursuant to settlement or order of the commissioner and  
14 who has not received the rebate may submit a claim to the  
15 commissioner. The commissioner shall pay the claim  
16 from the escheated funds deposited in the Insurance  
17 Fund pursuant to subdivision (a) upon verification that  
18 the claim is valid.

19 (c) The department shall not be required to conduct  
20 outreach programs to attempt to locate policyholders  
21 described in subdivision (b).

22 ~~SEC. 4.—~~

23 *SEC. 5.* Section 12937 is added to the Insurance Code,  
24 to read:

25 12937. (a) Escheated funds deposited in the  
26 Insurance Fund pursuant to subdivision (b) of Section  
27 1517 of the Code of Civil Procedure shall be available for  
28 expenditure by the commissioner to fund proceedings  
29 and to pay expenses on nonasseted estates for which  
30 liabilities have been or will be incurred.

31 (b) A policyholder who was entitled to funds  
32 described in subdivision (a) pursuant to an order of  
33 distribution and who has not previously received an  
34 appropriate distribution may submit a claim to the  
35 commissioner. The commissioner shall pay the claim  
36 from the escheated funds deposited in the Insurance  
37 Fund pursuant to subdivision (a) upon verification that  
38 the claim is valid.



1 (c) The department shall not be required to conduct  
2 outreach programs to attempt to locate policyholders  
3 described in subdivision (b).

4 ~~SEC. 5.—~~

5 *SEC. 6.* The Legislature finds and declares that this  
6 act furthers the purposes of Proposition 103 by providing  
7 that rebates required by Proposition 103 but that cannot  
8 be made will be used for the benefit of insurance  
9 consumers.

10 ~~SEC. 6.—~~

11 *SEC. 7.* This act is an urgency statute necessary for the  
12 immediate preservation of the public peace, health, or  
13 safety within the meaning of Article IV of the  
14 Constitution and shall go into immediate effect. The facts  
15 constituting the necessity are:

16 In order to provide for the deposit of certain escheated  
17 funds in the Insurance Fund as soon as possible, it is  
18 necessary that this act take effect immediately.

19 ~~SEC. 7. This act shall not become operative unless~~  
20 ~~Assembly Bill 3233 of the 1995-96 Regular Session is also~~  
21 ~~enacted and becomes operative on or before January 1,~~  
22 ~~1997.~~

