

Introduced by Senator Escutia

January 11, 1999

An act to add Article 6 (commencing with Section 11629.10) to Chapter 1 of Part 3 of Division 2 of the Insurance Code, relating to automobile insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 171, as introduced, Escutia. Automobile insurance: lifeline policies.

Existing law requires motorists to demonstrate financial responsibility by one of various means, including an automobile liability insurance policy. Existing law specifies minimum coverages for the policy. Existing law requires insurers to participate in a plan, known as the assigned risk plan, to provide automobile insurance to those otherwise unable to obtain coverage.

This bill would require insurers that participate in the assigned risk plan to also participate in a plan established by the Insurance Commissioner to offer a Lifeline Automobile Insurance Policy. The Lifeline Automobile Insurance Policy would provide coverage of \$10,000 for liability for bodily injury or death to one person, subject to a cumulative limit of \$20,000 for all persons, and \$3,000 for liability for damage to property.

The bill would provide that the policy would be sold for a premium of \$300 annually, to be adjusted, as specified.

The bill would set forth related provisions.

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. The Legislature finds and declares as
2 follows:

3 (a) Existing California law provides that it is against
4 the law to drive a car without purchasing automobile
5 liability insurance.

6 (b) Proposition 213 provides that a person who is in a
7 car accident but who does not have automobile insurance
8 may not be compensated for his or her pain and suffering,
9 even if the person was not at fault in the accident.

10 (c) The insurance marketplace has not provided an
11 automobile insurance product affordable to low-income
12 drivers. For this reason, far too many people are without
13 any automobile insurance.

14 (d) Proposition 103 does not address the issue of what
15 kinds of automobile insurance products must be offered.
16 It only provides a regulatory scheme for those products
17 if an insurer decides to offer them.

18 (e) Insurance companies selling automobile insurance
19 products in California earn significant profits for doing so,
20 profits that have increased significantly after enactment
21 of those laws restricting the ability of those without
22 insurance to sue, court decisions further restricting
23 plaintiffs' rights of redress, and laws that make the
24 purchase of their products a legal requirement to drive
25 in a state where driving is a practical necessity. Because
26 insurance companies offering for sale automobile
27 insurance in California thus enjoy the benefits of these
28 state laws, the Legislature finds and declares that it is fair
29 and equitable, and required for the public welfare, that
30 insurance companies should be required to participate in
31 a plan offer for sale a policy of automobile insurance that
32 is affordable to low-income drivers.

33 (f) For these reasons, the Legislature finds and
34 declares that it is essential to the health, safety, and
35 welfare of Californians that, as a condition of doing
36 business in this state, that California automobile insurers
37 be required to participate in a plan offering affordable
38 Lifeline Automobile Insurance Policies.



1 SEC. 2. Article 6 (commencing with Section
2 11629.10) is added to Chapter 1 of Part 3 of Division 2 of
3 the Insurance Code, to read:

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5 Article 6. Lifeline Automobile Insurance Policies

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7 11629.10. The commissioner, after a public hearing,
8 shall approve or issue a reasonable plan for the equitable
9 apportionment, among insurers required to participate in
10 the plan established under Section 11620, of persons
11 eligible to purchase Lifeline Automobile Insurance. The
12 Lifeline Automobile Insurance Plan shall be conducted in
13 conjunction with the plan established under Section
14 11620.

15 11629.11. (a) The plan shall require the issuance of a
16 Lifeline Automobile Insurance Policy affording coverage
17 in the amount of ten thousand dollars (\$10,000) for bodily
18 injury to, or death of, each person as a result of any one
19 accident and, subject to that limit as to one person, the
20 amount of twenty thousand dollars (\$20,000) for bodily
21 injury to, or death of, all persons as a result of any one
22 accident, and the amount of three thousand dollars
23 (\$3,000) for damage to property of others as a result of any
24 one accident.

25 (b) A Lifeline Automobile Insurance Policy shall,
26 notwithstanding the coverage amounts required by
27 Section 16056 of the Vehicle Code, satisfy the financial
28 responsibility requirements of Section 16021 of the
29 Vehicle Code.

30 (c) The initial premium for a Lifeline Automobile
31 Insurance Policy shall be three hundred dollars (\$300).
32 The premium shall be revised every two years to reflect
33 changes in the consumer price index.

34 11629.12. The Lifeline Automobile Insurance Policy
35 shall only be available for purchase by low-income,
36 low-risk California residents. A person shall be a
37 low-income driver if his or her household income does not
38 exceed 150 percent of the federal poverty level. A
39 low-risk driver is one who has not accrued more than one
40 violation point under Section 12810 of the Vehicle Code,



1 except that a driver determined to be responsible by the
2 commissioner for an accident under subdivision (f) of
3 Section 12810 of the Vehicle Code where the accident
4 resulted in bodily injury or death shall not be deemed a
5 low-risk driver for four years.

6 11629.13. The commissioner shall further define by
7 regulations pursuant to this article the form of the
8 application to be used in purchasing the Lifeline
9 Automobile Insurance Policy, including, but not limited
10 to, those application requirements for demonstrating
11 eligibility to purchase the Lifeline Automobile Insurance
12 Policy, and regulations establishing the means by which
13 applicants are notified and may correct errors or mistakes
14 in the application that result in a determination that they
15 are not eligible to purchase a Lifeline Automobile
16 Insurance Policy.

17 11629.14. The commissioner shall further adopt
18 regulations setting forth the reasonable circumstances
19 that would permit an insurer to cancel, nonrenew, or
20 refuse to sell a Lifeline Automobile Insurance Policy to a
21 person.

22 11629.15. The commissioner shall have all additional
23 powers required to implement this article, including, but
24 not limited to, the issuance of regulations setting forth the
25 respective obligations of each insurer to offer and service
26 Lifeline Automobile Insurance Policies under this article.

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