

AMENDED IN SENATE APRIL 28, 1999

AMENDED IN SENATE APRIL 15, 1999

SENATE BILL

No. 171

Introduced by Senator Escutia

(Coauthors: Senators Figueroa and Solis)

*(Coauthors: Assembly Members Cedillo, Firebaugh,
Gallegos, Longville, Romero, and Washington)*

January 11, 1999

An act to add Article 4.1 (commencing with Section 11627.5) to Chapter 1 of Part 3 of Division 2 of the Insurance Code, relating to automobile insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 171, as amended, 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 an average baseline premium of \$320 annually, to be adjusted, as specified. *The bill would specify who is eligible to purchase a policy.*

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



1 and equitable, and required for the public welfare, that
2 insurance companies should be required to participate in
3 a plan offer for sale a policy of automobile insurance that
4 is affordable to low-income drivers.

5 (f) For these reasons, the Legislature finds and
6 declares that it is essential to the health, safety, and
7 welfare of Californians that, as a condition of doing
8 business in this state, that California automobile insurers
9 be required to participate in a plan offering affordable
10 Lifeline Automobile Insurance Policies.

11 SEC. 2. Article 4.1 (commencing with Section
12 11627.5) is added to Chapter 1 of Part 3 of Division 2 of the
13 Insurance Code, to read:

14

15 Article 4.1. Lifeline Automobile Insurance Policies

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17 11627.5. The commissioner, after a public hearing,
18 shall approve or issue a reasonable plan for the equitable
19 apportionment, among insurers required to participate in
20 the plan established under Section 11620, of persons
21 eligible to purchase Lifeline Automobile Insurance. The
22 Lifeline Automobile Insurance Plan shall be conducted in
23 conjunction with the plan established under Section
24 11620.

25 11627.55. (a) The plan shall require the issuance of a
26 Lifeline Automobile Insurance Policy affording coverage
27 in the amount of ten thousand dollars (\$10,000) for bodily
28 injury to, or death of, each person as a result of any one
29 accident and, subject to that limit as to one person, the
30 amount of twenty thousand dollars (\$20,000) for bodily
31 injury to, or death of, all persons as a result of any one
32 accident, and the amount of three thousand dollars
33 (\$3,000) for damage to property of others as a result of any
34 one accident.

35 (b) A Lifeline Automobile Insurance Policy shall,
36 notwithstanding the coverage amounts required by
37 Section 16056 of the Vehicle Code, satisfy the financial
38 responsibility requirements of Section 16021 of the
39 Vehicle Code.



1 (c) ~~The~~ A Lifeline Automobile Insurance ~~policy~~ Policy
2 shall only be available for purchase by low-income
3 California residents *19 years of age or older* who are either
4 good drivers or very good drivers.

5 (d) A *Lifeline Automobile Insurance Policy* shall not
6 be available for purchase by any person who has a felony
7 or misdemeanor conviction on his or her driving record
8 pertaining to a violation of the Vehicle Code as recorded
9 by the Department of Motor Vehicles.

10 11627.6. As used in this article:

11 (a) “Very good driver” means a motorist who has
12 accrued no violation points in the previous three years
13 under Section 12810 of the Vehicle Code.

14 (b) “Good driver” means a motorist who has accrued
15 no more than one violation point in the previous three
16 years under Section 12810 of the Vehicle Code.

17 (c) “Low-income” means a person whose household
18 income does not exceed 150 percent of the federal
19 poverty level.

20 11627.65. (a) The initial premium for a Lifeline
21 Automobile Insurance Policy shall be based upon a three
22 hundred twenty dollar (\$320) baseline. The premium
23 baseline shall be revised on January 1, 2002, and every two
24 years thereafter to reflect changes in the *national*
25 consumer price index and the distribution of very good
26 drivers and good drivers.

27 (b) The premium shall be differentiated for two
28 driving classes: very good drivers and good drivers.

29 (1) Very good drivers shall pay a premium 6.6 percent
30 below the baseline.

31 (2) Good drivers shall pay a premium in excess of the
32 baseline to the extent necessary to create an average
33 Lifeline Automobile Insurance Policy premium cost of
34 three hundred twenty dollars (\$320), as adjusted under
35 subdivision (a). The standard premium shall not be more
36 than 30 percent above the baseline.

37 (3) On and after January 1, 2002, the commissioner
38 shall establish premiums to be paid in accordance with
39 this subdivision, based upon the consumer price index



1 adjustment and the percentage of lifeline policyholders
2 represented in each category.

3 (4) If, in order to establish an average baseline of three
4 hundred twenty dollars (\$320), as adjusted, the
5 commissioner determines that a good driver would be
6 required to pay a premium more than 30 percent above
7 the baseline, the commissioner shall instead increase the
8 premium for very good drivers to an amount no greater
9 than the baseline.

10 (c) Until January 1, 2002, the initial premium shall be
11 set at three hundred dollars (\$300) for very good drivers
12 and four hundred dollars (\$400) for good drivers.

13 (d) Each policy shall provide and each insurer shall
14 inform the purchaser that he or she may pay the full
15 premium or a monthly premium. Insured motorists shall
16 be permitted to pay in monthly installments equal to
17 one-twelfth of the annual premium. Insurers shall not add
18 any additional charges that would result in an increase of
19 the amount required to purchase a policy as established
20 by this section.

21 11627.7. The commissioner shall further define by
22 regulations pursuant to this article the form of the
23 application to be used in purchasing the Lifeline
24 Automobile Insurance Policy, including, but not limited
25 to, those application requirements for demonstrating
26 eligibility to purchase the Lifeline Automobile Insurance
27 Policy, and regulations establishing the means by which
28 applicants are notified and may correct errors or mistakes
29 in the application that result in a determination that they
30 are not eligible to purchase a Lifeline Automobile
31 Insurance Policy.

32 11627.75. The commissioner shall further adopt
33 regulations setting forth the reasonable circumstances
34 that would permit an insurer to cancel, nonrenew, or
35 refuse to sell a Lifeline Automobile Insurance Policy to a
36 person.

37 11627.8. The commissioner shall have all additional
38 powers required to implement this article, including, but
39 not limited to, the issuance of regulations setting forth the



- 1 respective obligations of each insurer to offer and service
- 2 Lifeline Automobile Insurance Policies under this article.

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