

Senate Bill No. 1731

CHAPTER 175

An act to add Sections 11621.1, 11621.2, 11621.3, 11621.4, and 11621.5 of, and to repeal Section 11621 of, the Insurance Code, relating to insurance.

[Approved by Governor July 21, 2000. Filed with
Secretary of State July 21, 2000.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1731, Lewis. Insurance.

Existing law creates the California Assigned Risk Plan, which requires the assignment to insurance companies transacting liability insurance of automobile insurance risks for applicants who are entitled to, but are unable to procure that insurance through ordinary methods. Existing law exempts certain insurers from these assignments.

This bill would repeal these insurer exemption provisions. This bill would enact provisions governing an insurer's responsibilities with respect to the plan in situations involving an insurer that discontinues writing automobile liability insurance in this state but that retains its license to write that business, and in situations involving an insurer that is no longer licensed to write that business. This bill would also allow new plan assignments to a participating insurer to be suspended and would allow a participating insurer to be relieved of its obligations to renew existing assigned risk policies under certain conditions. This bill would also enact provisions governing insolvent insurers, and make other related changes.

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

SECTION 1. Section 11621 of the Insurance Code is repealed.

SEC. 2. Section 11621.1 is added to the Insurance Code, to read:

11621.1. In the event an insurer discontinues writing automobile liability insurance in this state but retains its license to write that business, it shall continue to pay plan assessments and receive plan assignments until its quota or quotas established by its writings prior to discontinuance of business has or have been filled. However, if the automobile liability business of an insurer discontinuing the writing of that business in this state has been transferred to or reinsured by another insurer, the latter shall receive and assume the plan assignments and plan assessments of the insurer discontinuing business, as established by its writings prior to the transfer or



agreement of reinsurance, until its quota or quotas has or have been filled, unless another insurer is allowed to assume those obligations.

SEC. 3. Section 11621.2 is added to the Insurance Code, to read:

11621.2. (a) An insurer that is no longer licensed to write automobile liability insurance in this state shall have its plan business treated in the same manner as its voluntary business and shall not receive new assignments.

(b) The run-off of existing plan business shall be conducted in an orderly manner with policies nonrenewed upon the next anniversary date.

(c) An insurer that elects to surrender its license or has its license to do business in this state revoked shall comply with the following requirements:

(1) If an insurer elects to leave this state by surrendering its license to write automobile insurance, it must submit to the plan's advisory committee as a condition precedent to the surrender of its license a plan that disposes of the insurer's quota of plan assignments established by its voluntary writings, and provides for the handling of its outstanding assigned risk policies, including payment of claims, by appropriate financial arrangements or reinsurance agreements. The plan's advisory committee shall evaluate the plan that is submitted and shall advise the commissioner as to whether or not it recommends acceptance or rejection by the commissioner of the plan.

(2) In the event an insurer's license to do business in this state is revoked by the commissioner, the insurer shall submit to the plan's advisory committee a plan that disposes of the insurer's quota of plan assignments established by its voluntary writings, and provides for the handling of its outstanding assigned risk policies, including payment of claims, by appropriate financial arrangements or reinsurance agreements. The plan's advisory committee shall evaluate the plan that is submitted and shall advise the commissioner as to whether or not it recommends acceptance or rejection by the commissioner of the plan.

(d) If all insurers in a group are under the same ownership and management, or a group elects to be treated as a single insurer and an insurer in the same group is no longer licensed, that insurer shall comply with the provisions of this section.

SEC. 4. Section 11621.3 is added to the Insurance Code, to read:

11621.3. Insurer groups under the same ownership may elect to be treated as one insurer for purposes of participating in the plan and receiving its assignments and assessments pursuant to this article.

SEC. 5. Section 11621.4 is added to the Insurance Code, to read:

11621.4. (a) New plan assignments to a participating insurer may be suspended or a participating insurer may be relieved of its obligation to renew existing assigned risk policies at expiration when a valid order of suspension is issued by the commissioner and the



suspension of assignments or policy renewals is approved by the commissioner. Prior to the approval of a suspension of assignments or policy renewals, the plan's advisory committee shall advise the commissioner as to whether or not it recommends approval or denial of the suspension.

(b) If an insurer granted relief pursuant to subdivision (a) resumes writing business in this state, its quota shall reflect the plan assignments it would have received and the assigned risk renewal policies it would have issued during its period of suspension. The required assignment adjustment shall be spread over a period of three or more years, as determined by the commissioner. Prior to determining this assignment adjustment, the plan's advisory committee shall advise the commissioner as to whether or not it recommends approval or denial of the adjustment.

(c) The adjustment of the insurer's quota shall be a percentage of the insurer's under-assignments as determined by the commissioner. Prior to determining this adjustment, the plans's advisory committee shall advise the commissioner as to whether or not it recommends approval or denial of the adjustment. After the approved period of adjustment has expired, the insurer's normal quota will resume unless the insurer shows good cause to and receives approval from the commissioner for extension of the adjustment period. Prior to this approval, the plan's advisory committee shall advise the commissioner as to whether or not it recommends approval or denial of this extension.

SEC. 6. Section 11621.5 is added to the Insurance Code, to read:

11621.5. (a) In the event proceedings have been initiated by the commissioner to have an insurer declared insolvent, and a receiver or liquidator has been appointed, the plan shall reimburse any insured of that insurer for the unearned premium on any assigned risk policy then in force, upon submission of satisfactory evidence from the insured that the policy was in force at the time of the declaration of insolvency and that the requisite premium had been paid.

(b) The amount expended by the plan to remit unearned premium to insureds shall be deemed a cost of administration of the plan and shall be apportioned as provided in the plan adopted and approved pursuant to this article. The plan shall be subrogated in the liquidation proceedings to the right of reimbursement of all insureds to whom unearned premium has been remitted. In the event that the insurer is subsequently found by the court not to be insolvent, the proceedings are dismissed, and the receiver or liquidator has been discharged, the insurer shall be assessed by the plan for the total amount expended by the plan for return of unearned premiums.

