

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 16, 2007
POSITION: Neutral
SPONSOR: California Association of Professional Liability Insurers

BILL NUMBER: SB 339
AUTHOR: J. Scott

BILL SUMMARY: Insurance: Excess Investment

This bill would expand the types of investments insurers could use for the investment of excess funds.

FISCAL SUMMARY

For a previous version of the bill, the Department of Insurance estimated minor, absorbable costs associated with oversight of the additional types of investments that would be available to insurers. The department has not provided an estimate for the most recent version of the bill.

COMMENTS

The bill would broaden the investment categories available to insurers for the investment of funds in excess of minimum capital requirements. The bill also would grant the Insurance Commissioner authority to find an insurer's investment to be unsound or hazardous, even if it meets the requirements set forth in the bill. If the Commissioner were to make such a finding, the credit for that investment could be denied as part of the financial statement filed by the insurer. The bill also would provide definitions of various investment terms and specify the limits on investments in foreign companies.

According to a committee analysis, this bill is in response to the wider variety of sound investments that are now available. Also, similar provisions allowing a wider group of investments are in place in New York and in states whose insurance law is based on the National Association of Insurance Commissioners Model Investment Act. The committee analysis also notes there are concerns that need to be addressed in the bill to implement the changes, such as how long an insurer can take to change an investment deemed unsound by the Insurance Commissioner. This does not appear to be addressed in the most recent version of the bill.

Code/Department Agency or Revenue Type	(Fiscal Impact by Fiscal Year)							Fund Code		
	(Dollars in Thousands)									
	SO	LA	CO	PROP	FC	FC	FC			
0845/Insurance	SO	No			2007-2008	FC	2008-2009	FC	2009-2010	0001
					----- No/Minor Fiscal Impact -----					

Analyst/Principal (0222) R. Baker	Date	Program Budget Manager Todd Jerue	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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