

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 15, 2010
POSITION: Neutral
SPONSOR: Department of Insurance

BILL NUMBER: AB 2404
AUTHOR: J. Hill

BILL SUMMARY: Insurance

This bill would require any insurance policy issued, amended, or renewed on or after January 1, 2012 that includes a provision to refund a premium other than on a pro rata basis to disclose that fact in writing. This bill also would authorize the Insurance Commissioner (IC) to postpone a market conduct examination of an insurer for up to three years if specified criteria are met.

FISCAL SUMMARY

The Department of Insurance indicates any costs resulting from this bill would be minor and absorbable within existing resources.

COMMENTS

Existing law provides that a policy holder is entitled to a return of his or her premium unless the contract specifies otherwise.

This bill would require insurance policies issued, amended, or renewed on or after January 1, 2012 that include provisions to refund a premium other than on a pro rata basis, including the assessment of cancellation fees, to disclose that fact in writing by sending individuals hardcopy or electronic disclosures. The disclosures would be required to include a description of the actual or maximum fees or penalties, as specified, and be provided prior to (or concurrent with) the application and prior to each renewal to which the policy provision applies. The disclosure would not be required if the policy provision permits (but does not require) the insurer to refund premium other than on a pro rata basis, and the insurer refunds premium on a pro rata basis.

Existing law requires the IC (when certain criteria are met and not less than once every five years) to conduct an examination of an insurer’s business and affairs, as specified.

This bill would authorize the IC to postpone the examination of an insurer for up to three years if information derived from a market analysis indicates all of the following:

- The prior examination of the insurer revealed no significant negative findings.
- The number of consumer complaints received by the insurer is in the lowest quartile of complaints, as specified.
- The market analysis identifies no other issues of significant concern.

Analyst/Principal (0221) John Fitzpatrick	Date	Assistant Program Budget Manager	Date
--	------	----------------------------------	------

Department Deputy Director	Date
----------------------------	------

Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

AUTHOR

AMENDMENT DATE

BILL NUMBER

J. Hill

July 15, 2010

AB 2404

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	
0845/Insurance	SO	No		-----	No/Minor	Fiscal Impact	-----		0217
<u>Fund Code</u>	<u>Title</u>								
0217	Insurance Fund								