

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 14, 2011
POSITION: Neutral
SPONSOR: Department of Insurance

BILL NUMBER: AB 1416
AUTHOR: Assembly Insurance

BILL SUMMARY: Insurance Omnibus

This bill would update the Insurance Code by repealing obsolete provisions, making technical corrections, removing inconsistencies within existing law, and clarifying code sections.

FISCAL SUMMARY

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

COMMENTS

The Department of Finance is neutral on this bill because it would address and clarify technical issues within the Insurance Code. The DOI regularly sponsors legislation to "clean up" and maintain the Insurance Code.

Existing law:

- Defines a "fire and casualty licensee" as a person authorized to act as an insurance agent, broker, or solicitor, as specified.
Prohibits persons and firms from soliciting or procuring liability insurance from a risk retention group unless the person or firm is licensed as a fire and casualty broker-agent.
Provides that a producer cannot act in the capacity of managing general agent for an insurer that holds a certificate of authority unless the producer is licensed as a fire and casualty broker-agent or as a life agent.
Requires that a copy of changes to filed documents in connection with an insurer's certificate of authority to transact business in California shall be filed with the Insurance Commissioner.
Requires that a nonresident applicant for an organizational license name at least one person from their home state who may exercise the power and perform the duties under their license, as specified.
Requires the bond of a fire and casualty broker-agent to be in the amount of \$10,000, as specified.
Requires, in one provision of law, a nonresident who secures a license without examination through the filing of a certificate attesting the person is licensed in another state, and who subsequently seeks a license as a resident, to take and pass the qualifying examination for the license sought.
Requires every fire and casualty broker-agent acting in the capacity of an insurance solicitor to have filed on his or her behalf with the Insurance Commissioner a notice executed by an insurance agent or broker appointing and agreeing to employ the solicitor as an employee.
Requires every life agent who sells annuities to satisfactorily complete four hours of training every two years prior to license renewal.

Analyst/Principal Date Program Budget Manager Date
(0221) J. Fitzpatrick Lisa Ann L. Mangat

Department Deputy Director Date

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

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

Assembly Insurance

June 14, 2011

AB 1416

- Establishes various fees, including a fee of \$56 for filing for registration as a fire casualty broker-agent.
- Provides that any authority to transact variable contracts in connection with certain pension funds is effective only while a permanent underlying life agent's license remains in full force and effect.
- Specifies that the Insurance Commissioner shall not grant authority to transact variable contracts unless the life agent or applicant furnishes proof that he or she is registered to sell securities in accordance with the rules of the Securities and Exchange Commission (SEC) or the Financial Industry Regulatory Authority (FINRA).
- Requires that all insurer representatives serving on the advisory committee to California Automobile Assigned Risk Plan (CAARP) be salaried employees.
- Requires insurers issuing workers' compensation insurance to deposit specified assets including cash instruments, approved interest-bearing securities, approved stocks readily convertible into cash, investment certificates, certain share accounts in savings and loan associations, and certificates of deposit or savings deposits in a bank licensed to do business in this state.
- Requires the Insurance Commissioner, upon adopting a report of an examination of unfair or deceptive practices regarding an insurer, to transmit a copy of that report by certified US mail to the examined insurer's designated agent.
- Allows the examined insurer 10 business days after the transmittal of the above report to submit comments to the Insurance Commissioner.
- Requires the Insurance Commissioner to publish the adopted report on the department's website 10 business days after the transmittal of the report.

This bill:

- Revises current law throughout the Insurance Code to update references from "fire and casualty broker agent" to "property broker-agent" and "casualty broker-agent".
- Requires that a copy of changes to filed documents in connection with a domestic insurer's certificate of authority to transact business in California shall be filed with the Insurance Commissioner.
- Provides that, upon request, an out-of-state or foreign country insurer shall file any change on its documents including its articles of incorporation.
- Requires a nonresident applicant for an organizational license to name at least one person from a state other than California who may exercise the power and perform the duties under their license. Additional persons endorsed to that license may be residents of other states, including California.
- Revises current law to clarify that individuals and organizations licensed for both property and casualty are only required to obtain one \$10,000 bond to act as a broker.
- Repeals the section of law that requires a nonresident who secures a license without examination through the filing of a certificate attesting the person is licensed in another state, and who subsequently seeks a license as a resident, to take and pass the qualifying examination for the license sought. Another provision of law, which is retained, specifies that such a licensee is not required to complete an examination.
- Authorizes personal lines broker-agents and limited lines automobile insurance agents to be appointed as insurance solicitors, and requires organizational licensees to notify the Insurance Commissioner when personal lines broker-agents and limited lines automobile insurance agents are given authority to transact under the organizational license.
- Requires every life agent who sells annuities to satisfactorily complete four hours of training prior to each license renewal.
- Conforms the authorized fee for the casualty broker-agent and property broker-agent, as that nomenclature is revised by this bill to that of the current fire casualty broker-agent (\$56), and authorizes the same fee (\$56) when a single application is tendered for a joint property and casualty broker-agent application.
- Provides that any authority to transact variable contracts in connection with certain pension funds is effective only while a permanent underlying life agent's license and registration in accordance with the rules of the SEC or the FINRA remains in full force and effect.

