

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 03/15/2012
POSITION: Neutral

BILL NUMBER: AB 2303
AUTHOR: Sen Insurance

BILL SUMMARY: Insurance omnibus.

This bill would clarify and clean up provisions of the Insurance Code, establish licenses for certain non-resident agents and adjusters, conform California law to federal law, and expand the duties of the Curriculum Board to include bail agents and insurance adjusters.

FISCAL SUMMARY

The Department of Insurance indicates that costs associated with this bill are minor and absorbable from within existing resources.

COMMENTS

The Department of Finance is neutral on this bill. This bill would clarify and clean up the Insurance Code and conform California law to federal law.

Existing law:

- Regulates and defines mortgage insurance.
- Requires the Insurance Commissioner (Commissioner) to publish notices of insurer liquidation in newspapers in specified cities.
- Authorizes the Commissioner to apply by verified application for an order for the liquidation of a domestic corporation in the insurance business.
- Authorizes the Commissioner to grant authority to individuals to transact variable contracts.
- Authorizes the Commissioner to issue certificates of convenience pending examination. These certificates are temporary licenses which allow the transaction of certain types of insurance without a permanent license.
- Requires 12 hours of classroom education in subjects pertinent to the duties and responsibilities of a bail licensee.
- Requires any natural person applying for a license to act as a surplus line broker to prove his or her competency, as specified.
- Requires the Commissioner to annually report on child care liability insurance coverage.

Analyst/Principal (0221) J.Carosone	Date	Program Budget Manager Lisa Ann Mangat	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

Sen Insurance

03/15/2012

AB 2303

COMMENTS (continued)

This bill would:

- Repeal existing law related to "mortgage insurance." These statutes are obsolete because these policies are now issued under "mortgage guaranty insurance."
- Delete the requirement to publish notices of insurer liquidation in certain cities and would instead require publication in geographic areas pertinent to the liquidation and that the publication reference a source, either the liquidated company's or the liquidator's website where ongoing information for the creditors would be provided.
- Conform California law to the federal Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 by authorizing the Federal Deposit Insurance Corporation to stand in the place of the Insurance Commissioner and file a verified application in state court place an insurer into liquidation under the laws and requirements of the state. The Department of Insurance notes that this statute change is consistent with changes made by states nationwide.
- Clarify that the Commissioner is authorized grant authority to transact variable contracts to nonresidents. The Department of Insurance notes that this change is a clarification of law. The Department already provides this service.
- Discontinue certificates of convenience pending examination. These certificates have not been issued in 23 years. These certificates were created in response to a backlog in licensing approval. There is no longer a backlog in this area and these certificates are no longer necessary.
- Increase the bail agent license exam eligibility qualification to 20 hours. The expansion of the education requirement was requested by the bail agent industry to align minimum requirements with what the industry believes is necessary to perform the duties of a bail agent.
- Expand the Curriculum Board to include representatives of bail agents and insurance adjusters and expand the duties of the board to include the curriculum of bail agents and insurance adjusters. The current board does not oversee the curriculum of these classifications.
- Allow nonresidents, applying for a license to act as a surplus line broker, to prove his or her competency by showing that he or she holds an existing license to act as a property broker-agent and casualty broker-agent. The Department of Insurance indicates that it already allows nonresidents to do this and this change is solely a clarification of law.
- Remove the annual reporting requirement related to child care liability coverage insurance and require reports to the commissioner if requested. The Department of Insurance notes that this reporting requirement was added when there was a limited supply of this type of insurance. There are now many providers of this type of insurance and this annual reporting requirement is unnecessary.
- Establish a category of insurance adjuster license to be known as the crop insurance adjuster license. This bill provides for a separate examination for the crop insurance adjuster license and Federal Crop Insurance Corporation required training. This change would provide a more specialized license for those who only deal with crop insurance adjustment.

BILL ANALYSIS--(CONTINUED)

AUTHOR

AMENDMENT DATE

BILL NUMBER

Sen Insurance

03/15/2012

AB 2303

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					Fund Code
	LA	(Dollars in Thousands)					
	CO	PROP					
	RV	98	FC	2011-2012 FC	2012-2013 FC	2013-2014	
0845/Insurance	SO	No		-----	No/Minor Fiscal Impact	-----	0217
<u>Fund Code</u>			<u>Title</u>				
0217			Insurance Fund				