AB-1699 Insurance: fees and charges. (2017-2018)

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Assembly Bill No. 1699

CHAPTER 534

An act to amend Sections 132, 134, 705, 705.1, 709.5, 714, 717.5, 742.39, 857, 859, 881, 882, 884, 900.5, 924, 949, 1011.5, 1076, 1091, 1101, 1104.9, 1107.1, 1113, 1140.5, 1192.8, 1194.85, 1215.2, 1215.5, 1401.5, 1589, 1590, 1599, 1601, 1750, 1751, 1751.1, 1751.3, 1751.6, 1755, 1757.2, 1758.62, 1758.7, 1758.81, 1758.92, 1765, 1765.2, 1781.3, 1811, 1842, 4030, 4060, 4093, 5051, 7015.5, 7042, 7045, 9098, 10113.2, 10479.5, 10493, 10506.1, 10506.2, 10507.1, 11019, 11090, 11401, 11520.5, 11620, 11691, 11751, 11751.25, 12105, 12161, 12162, 12166, 12168, 12280.2, 12389, 12416, 12418.1, 12418.3, 12640.10, 12815, 12972, 12973.5, 12973.6, 12975, 12978, 14042, and 14097 of, and to repeal and add Section 12973 of, the Insurance Code, relating to insurance.

[Approved by Governor October 06, 2017. Filed with Secretary of State October 06, 2017.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1699, Committee on Insurance. Insurance: fees and charges.

Existing law authorizes the Insurance Commissioner to increase or decrease the fees set forth in the Insurance Code, as necessary, to allow the Department of Insurance to meet the appropriation authorized by the annual Budget Act. Any increase or decrease in fees is required to be made in accordance with certain requirements, and the increase in fees is prohibited from exceeding 10% without the prior approval of the Legislature. Existing law authorizes the department to make a single annual increase or decrease in fees, on a fiscal year basis, at any time during the year, provided it is announced by a bulletin issued at least 90 days prior to the effective date of that increase or decrease. The bulletin is required to be sent to all affected parties and to both houses of the Legislature. Existing law authorizes that fee increase or decrease to be rescinded by a majority vote of both houses of the Legislature, not later than 60 days after the issuance of the bulletin announcing the increase or decrease, except as provided.

This bill would delete the provision requiring that the bulletin be sent to both houses of the Legislature and would instead require the bulletin be sent to the Assembly Committee on Insurance and the Senate Committee on Insurance. The bill would also update and codify various fees, including, but not limited to, application, licensing, renewal, and filing fees.

Existing law provides the means by which an insurer may redomesticate its principal place of business to this state or redomesticate to any other state in which it is admitted to transact the business of insurance, including, but not limited to, seeking the approval of the commissioner, paying a fee, and filing a notice of intent to redomesticate with the Secretary of State, as provided. Existing law defines “redomestication” as the transfer of an insurer’s place of incorporation from another state to this state or from this state to another state.

This bill would require an insurer redomesticating to this state to file articles of incorporation, as provided, and would require an insurer redomesticating to another state to file a statement and designation and a statement of redomestication, as specified. The

bill would delete the requirement to file a notice of intent to redomesticate and would authorize the commissioner to write a letter to the insurer confirming that the redomestication has been approved.

Existing law provides that the filing fee for a license to act as a surplus line broker is $1,000 every 2 years, or for any initial fractional license year. For an individual licensed as a surplus line broker who only transacts on behalf of a surplus line broker organization, the filing fee is $500 every 2 years, or for any initial fractional license year.

This bill would delete those provisions.

This bill would also delete obsolete provisions and would make technical and conforming changes.
Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

(a) The Insurance Commissioner is authorized to increase or decrease the fees, including application, licensing, renewal, and filing fees set forth in the Insurance Code, as necessary, to allow the Department of Insurance to meet the appropriation authorized by the annual Budget Act. In doing so, the commissioner is required to follow the procedures specified in the code.

(b) The fees charged by the department are required to be reasonable and sufficient to cover the costs to the department in providing the services for which the fees are being charged. The commissioner may not increase or decrease the cumulative amount of the fees so that the fees collected are either in excess of, or insufficient to meet, the appropriation in the annual Budget Act and to carry out the projected workload of the department.

(c) Over the course of time various fees have not been updated in the Insurance Code, or the department was given the power to set the fees at a level necessary to cover the costs incurred by the department in providing that service. Therefore, it is the intent of the Legislature to amend the Insurance Code to reflect the amounts currently charged by the department for various regulatory fees.

(d) Having the fees noted in the Insurance Code reflect the fees actually charged by the Department of Insurance increases the transparency of fiscal operations at the department and reduces the likelihood of any confusion that may result when the fees charged are different from those noted in the Insurance Code.

SEC. 2. Section 132 of the Insurance Code is amended to read:

132. Risk retention groups chartered, incorporated, or licensed in states other than this state and seeking to do business as a risk retention group in this state shall file a notice of operation with the commissioner of its intention to do business in this state. The notice shall be filed with the commissioner within 60 days of the filing by the group of any notice filed with its chartering state of its intention to do business in this state, but in no event may a notice of intended operation be filed with the commissioner less than 60 days prior to the group commencing business in this state. In doing business in this state the risk retention group shall observe and abide by the laws of this state including the following:

(a) A risk retention group shall submit to the commissioner all of the following:

(1) A statement identifying the state or states in which the risk retention group is chartered and licensed as a liability insurance company, date of chartering, its principal place of business, and other information, including information on its membership, as the commissioner of this state may require to verify that the risk retention group is qualified under subdivision (k) of Section 130.

(2) A copy of its plan of operations or a feasibility study and revisions of the plan or study submitted to the state in which the risk retention group is chartered and licensed. However, the provision relating to the submission of a plan of operation or a feasibility study does not apply with respect to any line or classification of liability insurance that (A) was defined in the Product Liability Risk Retention Act of 1981 before October 27, 1986, and (B) was offered before that date by any risk retention group that had been chartered and operating for not less than three years before that date.

(3) A statement of registration that designates the commissioner as its agent for the purpose of receiving service of legal documents or process.

(4) A registration filing fee of one thousand one hundred ninety-six dollars ($1,196) shall accompany the statement of registration, which shall be deposited in the Risk Retention Administration Account, which is hereby created within the Insurance Fund. Notwithstanding Section 13340 of the Government Code, moneys in the account are continuously appropriated to the department for purposes of this chapter.

(b) Any risk retention group within this state shall submit to the commissioner all of the following:

(1) Upon commencement of business within this state and annually thereafter, a copy of the group's annual financial statement submitted to the state in which the risk retention group is chartered and licensed, which shall be certified by an independent public accountant and contain a statement of opinion on loss and loss adjustment expense reserves made by a member of the American Academy of Actuaries or a qualified loss reserve specialist.

(2) Upon request by the commissioner, a copy of each examination of the risk retention group as certified by the commissioner or public official conducting the examination and all documentation received as part of the examination.

(3) Upon request by the commissioner, a copy of any outside audit performed with respect to the risk retention group.

(c) (1) As authorized under the federal Liability Risk Retention Act of 1986 (15 U.S.C. Sec. 3902 (a)(1)(B)), each risk retention group is liable for the payment of premium taxes and taxes on premiums for business done or located within this state, and shall report to the commissioner the gross premiums written, less returned premiums, on business done within this state. The risk retention group is subject to taxation, and any applicable fines and nonconformance fees related thereto, on the same basis as a foreign admitted insurer. Nonconformance fees shall be paid to the department and deposited in the Risk Retention Administration Account within the Insurance Fund.

(2) To the extent licensed surplus line brokers are utilized pursuant to Chapter 6 (commencing with Section 1760) of Part 2, they shall report to the commissioner the premiums for direct business for risks resident or located within this state that those licensees have placed with or on behalf of, a risk retention group not chartered in this state.

(d) Any risk retention group and its agents and representatives shall comply with Article 6.5 (commencing with Section 790) of Chapter 1 of Part 2.

(e) Any risk retention group shall comply with the laws of this state regarding deceptive, false, or fraudulent acts or practices. However, if the commissioner seeks an injunction regarding that conduct, the injunction shall be obtained from a court of competent jurisdiction.

(f) Any risk retention group shall submit to an examination upon request by the commissioner to determine its financial condition if the commissioner of the jurisdiction in which the group is chartered and licensed has not initiated an examination or does not initiate an examination within 60 days after a request by the commissioner of this state.

(g) Every application form for insurance from a risk retention group and every policy issued by a risk retention group shall contain in 10-point type on the front page and the declaration page, the following notice:

"NOTICE

This policy is issued by your risk retention group. Your risk retention group may not be subject to all of the insurance laws and regulations of your state. State insurance insolvency guaranty funds are not available for your risk retention group."

(h) The following acts by a risk retention group are hereby prohibited:

(1) The solicitation or sale of insurance by a risk retention group to any person who is not eligible for membership in that group.

(2) The solicitation or sale of insurance by, or operation of, a risk retention group that is in a hazardous financial condition.

(i) A risk retention group may not offer insurance policy coverage prohibited by Section 533.5 or declared unlawful by the Supreme Court of California.

(j) The risk retention group shall make its initial registration by filing the materials specified in subdivision (a). The initial registration is valid until December 31 of the year in which it was made, as long as the risk retention group is in compliance with this chapter. To maintain the registration in force, the risk retention group shall continue in compliance with this chapter and shall file the following items with the commissioner on or before December 31 of each year:

(1) An annual reporting statement on a form prescribed by the commissioner.

(2) An annual renewal fee to be determined by the commissioner, limited to the actual cost of administering this section, not to exceed three hundred dollars ($300).

(3) Any other information required by the commissioner to determine whether the risk retention group is in compliance with the requirements of this chapter.

(k) The risk retention group shall notify the commissioner in writing of any changes in the information provided according to subdivision (a) within 30 days of the effective date of the change.

SEC. 3. Section 134 of the Insurance Code is amended to read:

134. (a) A purchasing group that intends to do business in this state shall, prior to doing business, furnish to the commissioner notice, doing all of the following:

(1) Identify the state in which the group is domiciled.

(2) Specify the lines and classifications of liability insurance that the purchasing group intends to purchase.

(3) Identify the insurance company or companies from which the group intends to purchase its insurance and the domicile of that company.

(4) Specify the method by which, and the person or persons, if any, through whom, insurance will be offered to its members whose risks are resident or located in this state.

(5) Identify the principal place of business of the group.

(6) Provide other information that may be required by the commissioner to verify that the purchasing group is qualified under subdivision (i) of Section 130.

(b) The purchasing group shall register with and designate the commissioner as its agent solely for the purpose of receiving service of legal documents or process, for which a filing fee in the amount of five hundred forty dollars ($540) shall be submitted to the commissioner for deposit in the Risk Retention Administration Account within the Insurance Fund, except that these requirements do not apply in the case of a purchasing group that did all of the following:

(1) Was domiciled before April 1, 1986, and is domiciled on and after October 27, 1986, in any state of the United States.

(2) Before October 27, 1986, purchased insurance from an insurance carrier licensed in any state, and since October 27, 1986, purchased its insurance from an insurance carrier licensed in any state.

(3) Was a purchasing group under the requirements of the Product Liability Risk Retention Act of 1981 (15 U.S.C. Sec. 3901 et seq.) before October 27, 1986.

(4) Does not purchase insurance that was not authorized for purposes of an exemption under that act, as in effect before October 27, 1986.

(c) Any purchasing group that was doing business in this state prior to the enactment of this chapter shall, within 30 days after January 1, 1990, furnish notice to the commissioner pursuant to subdivision (a) and furnish information that may be required pursuant to subdivisions (b) and (c).

(d) Each purchasing group that is required to give notice pursuant to subdivision (a) shall also furnish information that may be required by the commissioner to:

(1) Verify that the entity qualifies as a purchasing group.

(2) Determine where the purchasing group is located.

(3) Determine appropriate tax treatment.

(4) Verify that the purchasing group is in compliance with this chapter.

(e) Any purchasing group that intends to do business in this state shall make its initial registration by submitting to the commissioner the materials listed in subdivision (a). The registration is valid until December 31 of the year in which it was made, as long as the purchasing group is in compliance with this chapter. To maintain the registration, the purchasing group shall continue to comply with this chapter. Additionally, the purchasing group shall file the following documents with the commissioner on or before January 31 of each year:

(1) An annual reporting statement on a form prescribed by the commissioner.

(2) An annual renewal fee, to be determined by the commissioner, limited to the actual cost of administering this section, not to exceed two hundred dollars ($200).

(3) Any other information required by the commissioner to determine whether the purchasing group is in compliance with this chapter or other applicable provisions of this code.

(f) The purchasing group shall notify the commissioner in writing of any changes in the information provided according to subdivision (a) within 30 days of the effective date of the change.

SEC. 4. Section 705 of the Insurance Code is amended to read:

705. The commissioner shall require the payment of one hundred thirty-six dollars ($136), in advance, as a fee for filing an application for each amendment of a certificate of authority authorizing any insurer to transact business in this state. Notwithstanding Section 701, each insurer possessing a certificate of authority of indefinite term pursuant to that section shall owe and pay an annual fee of four hundred twenty-four dollars ($424), in advance, on account of that certificate until its final expiration. That fee shall be for annual periods commencing on July 1 of each year and ending on June 30 of each year and is due on each March 1 and is delinquent on and after each April 1.

SEC. 5. Section 705.1 of the Insurance Code is amended to read:

705.1. The commissioner shall require the payment of four thousand two hundred thirty-three dollars ($4,233), in advance, as a fee for filing an application and all supporting exhibits including articles of incorporation, certificates of organization, certificates of capital and assets, certificates of deposit, financial statements, affidavits, appointments of agents for service of process, bonds, deposit schedules, appraisals, and other papers, in support of each original certificate of authority. That fee shall be in lieu of the fees for filing or receiving those papers in support of an application for an original certificate of authority as specified in Section 940.1 and as specified in the following sections of the Insurance Code as they existed on January 1, 1963: 705, 712, 900.5, 946, 976, 1350, 1590 (but not 1599), 1601, 7034, 9034, and 11090.

SEC. 6. Section 709.5 of the Insurance Code is amended to read:

709.5. (a) Any insurer that is organized under the laws of any other state and is admitted to do business in this state for the purpose of writing insurance may become a domestic insurer by designating its principal place of business at a place in this state and redomesticate by filing articles of incorporation as authorized by subdivision (a) of Section 201.6 of the Corporations Code. The domestic insurer shall be entitled to like certificates and licenses to transact business in this state and shall be subject to the authority and jurisdiction of this state.

(b) Any domestic insurer may, upon the prior approval of the commissioner, transfer its domicile to any other state in which it is admitted to transact the business of insurance and redomesticate by filing a statement and designation as authorized by Section 2105 of the Corporations Code and a statement of redomestication as authorized by subdivision (c) of Section 201.6 of the Corporations Code, and upon the transfer shall cease to be a domestic insurer, and shall be admitted to this state if qualified as a foreign insurer. The commissioner shall approve any proposed transfer unless he or she determines that the transfer is not in the interest of the policyholders of this state. An insurer seeking to transfer its domicile shall provide the commissioner with information and documentation reasonably necessary to make this determination. The commissioner shall either approve or disapprove the transfer within 90 calendar days after the date of the request. The commissioner and his or her authorized representative shall be prohibited from seeking a waiver to extend the 90-calendar-day period, nor shall the insurer be permitted to waive that period.

(c) The certificate of authority, agent and broker appointments and licenses, rates, and other items that the commissioner allows in his or her discretion, that are in existence at the time any insurer licensed to transact the business of insurance in this state transfers its corporate domicile to this or any other state by merger, consolidation, or any other lawful method shall continue in full force and effect upon that transfer if the insurer remains duly qualified to transact the business of insurance in this state. All outstanding policies of any transferring insurer shall remain in full force and effect and need not be endorsed as to the new name of the company or its new location unless so ordered by the commissioner. Every transferring insurer shall file new policy forms with the commissioner on or before the effective date of the transfer, but may use existing policy forms with appropriate endorsements if allowed by, and under those conditions as approved by, the commissioner. However, every transferring insurer shall notify the commissioner of the details of the proposed transfer, and shall file promptly all resulting amendments to corporate documents filed or required to be filed with the commissioner.

(d) An insurer seeking qualification under this section shall pay to the commissioner a filing fee of six thousand three hundred fifty dollars ($6,350). Except for an insurer that is a wholly owned subsidiary of a domestic holding company, an insurer seeking qualification shall file with the Secretary of State a statement of redomestication as prescribed by subdivision (c) of Section 201.6 of the Corporations Code and shall also file with the commissioner a designation of an agent for service of process. The commissioner may write a letter to the insurer confirming the redomestication has been approved.

(e) Notwithstanding any other law, this section provides the exclusive means for an admitted insurer to change its domicile to, or transfer its domicile from, this state.

SEC. 7. Section 714 of the Insurance Code is amended to read:

714. The commissioner shall require the payment of seventy-two dollars ($72), in advance, as a fee for filing papers required under Section 713, on account of change or changes made at one time.

SEC. 8. Section 717.5 of the Insurance Code is amended to read:

717.5. (a) For purposes of Sections 700 and 717, the commissioner may determine that an insurer admitted and domiciled in this state, or an insurer applying to become admitted and domiciled in this state, including an applicant pursuant to subdivision (a) of Section 709.5, is qualified to be designated as a professional reinsurer, if the commissioner determines that the insurer is all of the following:

(1) Principally engaged in the business of reinsurance.

(2) Does not conduct significant amounts of direct insurance as percentage of its net premiums.

(3) Is not engaged, on an ongoing basis, in the business of soliciting direct insurance.

(b) The commissioner may consider any information relevant to this determination. An insurer that holds, or is applying for qualification as, a professional reinsurer, shall provide the commissioner with information or documentation regarding the determinations under this section, upon request. The commissioner may prescribe terms and conditions applicable to the certificate of authority, as appropriate under this section.

(c) A domestic, professional reinsurer shall continue to be qualified as long as it continues to meet the requirements set forth in this section.

(d) The commissioner may, after notice and an opportunity to be heard, revoke a reinsurer's qualification, if the reinsurer no longer qualifies under this section.

(e) A domestic insurer that is qualified as a professional reinsurer may include that designation in its name, solicitations, and advertisements.

(f) An insurer seeking qualification under this section shall pay a filing fee of three thousand three hundred twenty-eight dollars ($3,328), in advance, to the commissioner.

(g) The commissioner may adopt regulations in accordance with the procedure provided in Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code or otherwise prescribe requirements consistent with this section.

(h) The commissioner may post prescribed requirements, consistent with this section, on the department's Internet Web site.

SEC. 9. Section 742.39 of the Insurance Code is amended to read:

742.39. The commissioner shall require the payment of five thousand two hundred twenty-nine dollars ($5,229), in advance, as a fee for filing an application for each certificate of compliance. Notwithstanding Section 742.36, each holder of a certificate of compliance of indefinite term shall owe and pay an annual fee of four hundred twenty-four dollars ($424), in advance, on account of the certificate until final expiration. In addition, each holder of a certificate of compliance of indefinite term shall owe and pay an annual fee of four hundred twenty dollars ($420) for filing of financial information. These fees shall be for annual periods commencing on July 1 of each year and ending on June 30 of each year, and shall be due on each March 1 and be delinquent on and after April 1.

SEC. 10. Section 857 of the Insurance Code is amended to read:

857. The commissioner shall charge and collect the following fees:

(a) For filing an original or supplemental application, or any amendments thereto, for a permit to issue securities, four thousand two hundred thirty-three dollars ($4,233) except for applications for a permit to issue securities evidencing any change in rights, preferences, privileges, or restrictions on outstanding securities, or for applications for a permit to issue securities evidencing only a share dividend or a share split.

(b) For filing an application for a permit to issue securities evidencing any change in the rights, preferences, privileges, or restrictions on outstanding securities, five hundred sixty-seven dollars ($567).

(c) For filing an application for a permit to issue securities evidencing a share dividend or a share split, one thousand four hundred ten dollars ($1,410).

(d) For filing an application for any other kind of permit, such as an application, for the issuance of a preorganizational or a negotiating permit, an application for a permit to issue options for securities, but not for the securities themselves, or any application for an amendment to an existing permit to issue securities, two hundred eighty-three dollars ($283).

(e) An original or supplemental application shall not be amended after the permit sought thereby or by amendment thereto has been issued or denied.

SEC. 11. Section 859 of the Insurance Code is amended to read:

859. The commissioner shall also collect the following fees:

(a) For filing any application for a broker's certificate, two hundred eighty-three dollars ($283) for the first office or location plus one hundred thirty-six dollars ($136) for each additional office or location.

(b) For filing any application for an agent's certificate, one hundred thirty-six dollars ($136).

(c) For an examination, audit, or investigation, the actual amount of expenses reasonably incurred in the performance of the work, plus the following:

(1) If made by an employee of the commissioner, the actual amount of the compensation paid to that employee for that time.

(2) The amount of the usual cost to the state of typing, transcribing, or otherwise preparing any written report of that examination, audit, or investigation that may reasonably be needed in the discharge of the commissioner's duties.

SEC. 12. Section 881 of the Insurance Code is amended to read:

881. (a) The commissioner shall require the name or any changed name of every insurer (including reciprocal or interinsurance exchanges), every attorney in fact, every motor club, and every underwritten title company to be submitted to him or her by written application and approved by him or her before the name is used in this state for business purposes. If approved, the commissioner shall issue his or her official certificate approving the name, and when appropriate, reserving the name for the following time periods, which shall commence on the date of the approval:

(1) One year if the applicant is newly formed, or if the application is filed on behalf of an entity to be formed, under the laws of this state.

(2) One hundred eighty days and during the pendency in good faith of an application for certificate of authority in the case of a foreign or alien applicant.

(3) Ninety days in the case of an admitted entity requesting authority to change the name under which it will conduct its business with the public in this state.

(b) Except in the case in which an applicant has already paid a fee on a pending application for admission, the commissioner shall collect a one-hundred-thirty-six-dollar ($136) fee for filing each application for name approval and reservation. An application for name approval may contain not more than three names in the order of applicant's preference and the commissioner's approval shall be limited to only one name submitted by any one application.

(c) The certificate of approval shall be attached to the articles of incorporation before the Secretary of State shall file the articles or any amended articles. The commissioner may reject any name submitted when it is an interference with, or too similar to one already appropriated, or when it is likely to mislead the public in any respect. In the event of a rejection, the applicant shall legally change its name to one approved by the commissioner or, if a foreign or alien insurer, may arrange to conduct any business it may do with the public in California under an approved name as an operating name, identifying itself under both its true name and operating name in the conduct of all official business with the commissioner.

(d) Notwithstanding Section 1282, this section shall apply to reciprocal insurers, including their attorneys in fact, and shall apply to motor clubs.

SEC. 13. Section 882 of the Insurance Code is amended to read:

882. When two or more insurers propose to issue an underwriter's policy, each insurer shall first file an application with the commissioner for approval and registration of the name or title under which the policy is to be issued. The commissioner may

reject any name submitted when it is an interference with, or too similar to, one already appropriated or when it is likely to mislead the public in any respect. In that case the application may be amended to submit another or other names.

The commissioner shall charge and collect in advance a fee of seventy-two dollars ($72) from each insurer filing an application for approval and registration of that name or title, or for filing any amendment thereto.

SEC. 14. Section 884 of the Insurance Code is amended to read:

884. Unless renewed, the approval and registration of all underwriters' names shall expire at 12:01 a.m. July 1 of each even-numbered year. Renewal may be secured by filing with the commissioner an application therefor, together with a fee of twenty-five dollars ($25). An application shall be filed during the month of May preceding that July 1. The commissioner shall furnish the application forms for the renewal. The commissioner shall, upon receipt of a proper renewal application and payment of the filing fee therefor, renew the approval and registration of the underwriter's name unless he or she finds any of the following:

(a) The insurer has abandoned use of the underwriter's name.

(b) The insurer is actually using or publicizing the name in any manner after it has discontinued the issuance of underwriter's policies bearing that name.

(c) The insurer has used that underwriter's name in a manner that has resulted in misrepresentation or fraud.

(d) The insurer has used that underwriter's name in a manner that would violate any provision of law relating to the conduct of its business.

(e) The insurer has secured that underwriter's name through misrepresentation or concealment of material information.

(f) Reasons exist that would warrant refusal of approval or registration if the same were being initially requested.

If the commissioner so finds he or she shall advise all insurers using that underwriter's name in writing that the renewal application is denied and set forth with particularity the reasons for the denial. That denial shall be effective 30 days after mailing of that advice to the insurer unless within those 30 days the insurer requests a hearing. In this event the advice of denial shall constitute the commissioner's opening pleading for the purpose of the hearing, which shall be deemed denied by the insurer. The insurer if it elects may, within 10 days, file an additional written response. The hearing shall be noticed and commenced within a reasonable time. During those 30 days, and, if a request for hearing is filed, until the termination of that proceeding, the insurer may continue the use of the underwriter's name and the issuance of policies thereunder provided timely renewal application has been filed and the filing fee paid.

SEC. 15. Section 900.5 of the Insurance Code is amended to read:

900.5. The commissioner shall charge and collect four hundred twenty dollars ($420) in advance as a fee for the first filing each year of a statement under this article. Only one fee shall be charged or collected from any one insurer in any one calendar year.

SEC. 16. Section 924 of the Insurance Code is amended to read:

924. The commissioner shall collect a late filing fee of seven hundred five dollars ($705) from any admitted insurer that fails to make and file in the commissioner's office within the time prescribed by law any statements or stipulations required by this code. After the first month, the commissioner shall also collect a late filing fee of eight hundred forty-nine dollars ($849) for each and every month or fractional part of a month thereafter that the insurer continues to transact the business of insurance until those statements and stipulations are filed.

SEC. 17. Section 949 of the Insurance Code is amended to read:

949. The commissioner shall require the payment of seventy-two dollars ($72), in advance, as a fee for each certificate issued pursuant to this article.

SEC. 18. Section 1011.5 of the Insurance Code is amended to read:

1011.5. The consent described in subdivision (c) of Section 1011 shall be obtained by filing an application with the commissioner in a form to be prescribed by him or her accompanied by that additional information concerning the insurer, its condition and affairs, as the commissioner requires.

A fee of six thousand three hundred fifty dollars ($6,350) shall be paid to the commissioner for the filing of the application.

SEC. 19. Section 1076 of the Insurance Code is amended to read:

1076. The withdrawing insurer shall pay to the commissioner a fee of one thousand four hundred ten dollars ($1,410) for all services and expenses in connection with the withdrawal.

SEC. 20. Section 1091 of the Insurance Code is amended to read:

1091. The retiring insurer shall pay to the commissioner a fee of one thousand seven hundred ninety-four dollars ($1,794) for filing the documents initiating approval proceedings under this article. If the plan be approved and consummated the retiring insurer shall apply for withdrawal under Article 15 of this chapter and that fee shall also cover the services and expenses of the commissioner in connection with the withdrawal.

SEC. 21. Section 1101 of the Insurance Code is amended to read:

1101. (a) An admitted insurer's officers, directors, trustees, and any persons who have authority in the management of the insurer's funds, shall not, unless otherwise provided in this code:

(1) Receive any money or valuable thing for negotiating, procuring, recommending, or aiding in, any purchase by or sale to such insurer of any property, or any loan from such insurer.

(2) Be pecuniarily interested as principal, coprincipal, agent, attorney, or beneficiary, in any such purchase, sale, or loan.

(3) Directly or indirectly purchase, or be interested in the purchase of, any of the assets of the insurer.

(b) This section shall not apply to:

(1) The purchase or exchange of stock of an admitted insurer by an admitted insurer or between admitted insurers nor to any merger, consolidation, or corporate reorganization of such insurers, and shall not apply as to such purchase, merger, exchange, consolidation, or reorganization, nor to the officers, directors, trustees, or any persons having authority in the management of such insurers funds in respect to any such transaction, and no such transaction shall be either void or voidable, if:

(i) The transaction is just and reasonable as to the insurers involved at the time it is authorized or approved and if no such officer, director, trustee, or other person having authority in the management of such insurers funds receives any money or other valuable thing, other than his or her usual compensation for his or her regular duties, for negotiating, procuring, recommending, or aiding in such transaction, and, either of the following apply:

(ii) Any interest in such transaction on the part of any officers, directors, trustees, or persons who have authority in the management of any such insurer's funds is disclosed or known to its board of directors or committee, authorizing, approving, or ratifying the transaction, and noted in the minutes thereof, and the board or committee authorizes, approves, or ratifies the transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of any interested officers, directors, trustees, or persons who have authority in the management of the funds of any such insurer.

(iii) The fact of such interest is disclosed or known to the shareholders in the case of a stock insurance company, or in the case of a mutual insurer to the policyholders, and they approve or ratify the transaction in good faith by a vote or written consent of a majority of the shares or policyholders, as the case may be, entitled to vote, unless the consent or vote of more than a majority is otherwise required, in which event the vote or written consent shall be that so otherwise required.

Any such officer, director, trustee, or other person who has such interest may be counted in determining the presence of a quorum at any meeting that authorizes, approves, or ratifies such transaction.

(2) Any transaction relating to an insurer if the transaction meets the other requirements of subdivision (b) and such officers, directors, and trustees of the insurer do not in the aggregate own more than 5 percent of the stock of any corporation with which the insurer is entering into a transaction.

(3) Any transaction if prior to its consummation the insurer has applied for and obtained from the commissioner a certificate of exemption in respect to the specific transaction therein described and such transaction is consummated in conformity with such certificate and the representations and disclosures made in, or in connection with, the application therefor.

(4) To obtain the certificate of exemption the insurer shall file with the commissioner a written application, accompanied by a filing fee of seven hundred five dollars ($705). The application shall be verified as provided in Section 834, be in a form as the

commissioner shall require and shall contain all of the following:

(A) A specific description of the particular transaction for which the certificate is sought.

(B) Copies of all contracts and other legal documents involved or to be involved in the transaction.

(C) A description of all assets involved in the transaction.

(D) The names, titles, capacities, and business relationships of all persons in any way involved in the transaction who are connected with the insurer or any of its affiliates, officers, directors, managers, or controlling persons or entities in any of the capacities described in this section.

(E) A description of any and all considerations on either or any side of the transaction.

(F) Evidence that its governing board has specifically authorized the filing of the application.

(G) Such other information, opinions, or matters as the commissioner may require.

The commissioner may issue such certificate of exemption if he or she finds, with or without a hearing, that the transaction is fair, just, and equitable, and not hazardous to policyholders, stockholders, or creditors. The commissioner may impose such conditions, including, but not limited to, disclosure of the circumstances and terms of the transaction either before or after its consummation either publicly or to such persons and entities as he or she may designate and the approval of the transaction by such persons or entities as he or she may designate. He or she may also require that a report of the transaction be filed with him or her subsequent to its consummation in such form and containing such information as he or she may prescribe.

The certificate of exemption issued pursuant to paragraph (3) of subdivision (b) shall only exempt the transaction from the prohibitions of this section and shall not affect the rights or remedies of any persons under any other law.

The amendment made to this section at the 1955 General Session shall not apply to contracts, sales, transfers, or other transactions entered into prior to the effective date hereof.

The commissioner shall not issue a certificate of exemption under paragraph (3) of subdivision (b) in respect to any transaction consummated prior to the effective date of the amendment made to this section at the 1967 Regular Session.

(c) Whenever it appears to the commissioner that any insurer, or any director, officer, employee, or agent thereof, has committed or is about to commit a violation of this section, the commissioner may apply to the superior court for the county in which the principal office of the insurer is located, or if such insurer has no such office in this state, then to the Superior Court for the County of Los Angeles, or for the City and County of San Francisco, for an order enjoining such insurer, or such director, officer, employee, or agent thereof, from violating or continuing to violate this section, and for such other equitable relief as the nature of the case and the interests of the insurer's policyholders, creditors, and shareholders or the public may require.

SEC. 22. Section 1104.9 of the Insurance Code is amended to read:

1104.9. (a) (1) As used in this section, "qualified custodian" means: (A) commercial banks (as defined in Section 105 of the Financial Code), savings and loan associations (as defined in Section 5102 of the Financial Code), and trust companies (other than trust departments of title insurance companies), or any entity approved by the commissioner as a qualified custodian; (B) that is either (i) domiciled and has a principal place of business in this state or (ii) a national banking association with a trust office located in this state; and (C) that either has a net worth of at least one hundred million dollars ($100,000,000) or is able to demonstrate to the satisfaction of the commissioner that it is financially secure. The commissioner may consider, among other factors, evidence of the following in order to determine whether a custodian is financially secure for the purpose of this subdivision: (i) its obligations under an agreement approved by the commissioner pursuant to subdivision (c) are guaranteed by its parent holding company, (ii) its parent holding company has a net worth of at least one hundred million dollars ($100,000,000), or (iii) it is a member of a holding company system with a net worth of at least one hundred million dollars ($100,000,000).

(2) (A) As used in this section, "qualified depository" means an entity that is located in this state or a reciprocal state and is (i) a depository that provides for the long-term immobilization of securities or a clearing corporation that is also a depository, and that in either case has been approved by or registered with the United States Securities and Exchange Commission, (ii) a Federal Reserve bank, or (iii) an entity approved by the commissioner as a qualified depository.

(B) A "qualified depository" may also include an entity that is located outside the United States, if it is a securities depository and clearing agency, incorporated or organized under the laws of a country other than the United States, (i) that operates a transnational system for securities or equivalent book entries (specifically Euroclear and Cedel, or successors to all or substantially all of their operations), or (ii) that operates a central system for securities or equivalent book entries, but solely for securities issued by, or by entities within, the country in which the securities depository and clearing agency is

incorporated or organized. The depository shall meet all qualifying requirements imposed by this section upon Euroclear or Cedel.

(3) As used in this section, “qualified subcustodian” means an entity located in this state or a reciprocal state (A) that holds securities of the domestic insurer, and maintains an account through which the securities are held, in this state or a reciprocal state and (B) that has shareholder equity of at least one hundred million dollars ($100,000,000) or is able to demonstrate to the satisfaction of the commissioner that it is financially secure. The qualified subcustodian shall be: (A) a commercial bank, a savings and loan association, or a trust company (other than trust departments of title insurance companies); (B) a subsidiary of a qualified custodian; or (C) any entity approved by the commissioner as a qualified subcustodian. The commissioner may consider, among other factors, evidence of the following in order to determine whether a subcustodian is financially secure for the purpose of this subdivision: (i) its obligations are guaranteed by its parent company, (ii) its parent holding company has shareholder equity of at least one hundred million dollars ($100,000,000), or (iii) it is a member of a holding company system with shareholder equity of at least one hundred million dollars ($100,000,000). A “qualified subcustodian” may also include an entity that is located outside the United States that is used by the domestic insurer for the purpose of obtaining access to a qualified depository located outside the United States. The qualified foreign subcustodian shall be a banking institution or trust company, incorporated or organized under the laws of a country other than the United States, that is regulated by that country’s government or an agency thereof, and that has shareholders’ equity in excess of two hundred million dollars ($200,000,000), whether in United States dollars or the equivalent of United States dollars, as of the close of its most recently completed fiscal year; or a majority-owned direct or indirect subsidiary of a qualified United States bank or bank holding company, if the subsidiary is incorporated or organized under the laws of a country other than the United States and has shareholders’ equity in excess of one hundred million dollars ($100,000,000), whether in United States dollars or the equivalent of United States dollars, as of the close of its most recently completed fiscal year; or is able to demonstrate to the satisfaction of the commissioner that it is financially secure. The commissioner may consider, among other factors, evidence of the following in order to determine whether a qualified foreign subcustodian is financially secure for purposes of this subdivision: (i) its obligations are guaranteed by its parent company, (ii) its parent holding company has shareholder equity of at least two hundred million dollars ($200,000,000), or (iii) it is a member of a holding company system with shareholder equity of at least two hundred million dollars ($200,000,000).

(4) As used in this section, “subsidiary” means: (A) an entity all of whose voting securities (other than director qualifying shares, if any) are owned, directly or indirectly, by a qualified custodian; or (B) any affiliated entity approved by the commissioner as a subsidiary of a qualified custodian. For the purpose of this section, an affiliated entity means an entity that (A) controls or is controlled, either directly or indirectly or through one or more intermediaries, by a qualified custodian or (B) is under the common control, directly or indirectly, as or with a qualified custodian.

(5) As used in this section, “entity approved by the commissioner as a qualified custodian,” “entity approved by the commissioner as a qualified depository,” “entity approved by the commissioner as a qualified subcustodian,” and “entity approved by the commissioner as a subsidiary of a qualified custodian” mean those entities that meet the conditions or standards established by the commissioner. The commissioner shall charge and collect in advance a one-time fee of two thousand two hundred forty-one dollars ($2,241) to review an application for approval of any entity pursuant to this section.

(6) As used in this section, “reciprocal state” has the same meaning as in subdivision (f) of Section 1064.1.

(7) As used in this section, “moneys” means cash held incidental to securities transactions occurring in the ordinary course of business with respect to securities held pursuant to the custodial agreements under this section.

(8) (A) Except as provided in subparagraph (B), as used in this section, “insurer,” “domestic insurer,” and “domestic admitted insurer” mean any insurer, other than a domestic life insurer that is incorporated or that has its principal place of business in this state. Except as provided in subparagraph (B), no portion of this section applies to domestic life insurers nor shall this section affect the interpretation of any other portion of this code with respect to domestic life insurers nor is it intended to create a precedent for the application of its provisions to those insurers. However, the exclusion of domestic life insurers from this section shall not be construed to diminish the commissioner’s existing authority over those insurers under any other provision of this code.

(B) Domestic life insurers that are wholly owned by any insurer other than a domestic life insurer or are part of an insurance holding company system whose other insurer affiliates are not domestic life insurers may elect to be subject to this section by affirmatively stating that election in the statement otherwise required to be filed by that system pursuant to Section 1215.4.

(b) Notwithstanding Section 1104.1, a domestic admitted insurer may maintain its securities and moneys in a reciprocal state, subject to the requirements of this section, through a custodian account located in California in or with a qualified custodian, and that qualified custodian may maintain those securities or moneys in a qualified depository or qualified subcustodian, either or both of which may be located in a reciprocal state. In addition, a domestic insurer that has foreign investments or any other

investments that require delivery outside of the United States upon sale or maturity that qualify under Section 1240, 1241, or 10506, or any other provision of this code, may maintain those securities or moneys in or with a qualified depository located in a jurisdiction outside the United States. However, the aggregate amount of general account investments so deposited shall not exceed the lesser of 5 percent of the total admitted assets of the insurer or 25 percent of the excess of admitted assets over the sum of paid-up capital, liabilities, and surplus required by Section 700.02. However, unless exempted by the commissioner, not more than 50 percent of that amount of assets that an insurer is authorized to invest pursuant to Section 1241 or 1241.1 may be maintained in any single country in a qualified depository as defined in clause (ii) of paragraph (2) of subdivision (a) and as to life companies not more than 12.5 percent of that amount of assets that an insurer is authorized to invest pursuant to Section 1241 or 1241.1 may be maintained in any single country in a qualified depository as defined in clause (ii) of paragraph (2) of subdivision (a). The percentage or dollar value of admitted assets and paid-up capital and liabilities shall be determined by the insurer's last preceding annual statement of conditions and affairs made as of the preceding December 31 that has been filed with the commissioner pursuant to law. A broker or agent, as defined in the Federal Securities Exchange Act of 1934 (15 U.S.C. Sec. 78c et seq.), may not serve as a qualified custodian, qualified subcustodian, or qualified depository under this section. However, no otherwise qualified custodian or subcustodian shall be disqualified on account of its activities as a broker or dealer, as so defined, when the activities are incidental to its custodial or other business.

(c) Securities shall not be deposited in or with a qualified custodian, qualified depository, or qualified subcustodian except as authorized by an agreement between the insurer and the qualified custodian, if the agreement is satisfactory to and has been approved by the commissioner. The agreement shall require that the securities be held by the qualified custodian for the benefit of the insurer and that the books and records of the qualified custodian shall so designate. The agreement shall further require that beneficial title to the securities remain in the insurer and shall require that the qualified subcustodian and qualified depository be the agents of the qualified custodian. The agreement shall also specifically require that the qualified custodian shall exercise the standard of care of a professional custodian engaged in the banking or trust company industry and having professional expertise in financial and securities processing transactions and custody would observe in these affairs. This section does not affect the burden of proof under applicable law with respect to the assertion of liability in any claim, action, or dispute alleging any breach of, or failure to observe, that standard of care.

(d) An agreement between the qualified custodian and the insurer shall not be approved by the commissioner unless the qualified custodian agrees therein to comply with this section. Except when the agreement is submitted in conjunction with an application for an original certificate of authority or variable contract qualification, a fee of seven hundred forty-eight dollars ($748) shall be paid to the commissioner at the time of filing the agreement for approval. However, a fee shall not be required if the form of the agreement has been previously submitted for approval and approved by the commissioner as certified by the insurer and qualified custodian submitting the agreement to the commissioner. The agreement shall be deemed approved unless, within 60 days after receipt by the commissioner of that agreement and any required filing fee, the commissioner has disapproved the agreement in writing citing specific reasons for disapproval.

(e) Notwithstanding the maintenance of securities with an out-of-state qualified depository or qualified subcustodian pursuant to agreement, if the commissioner has reasonable cause to believe that the domestic insurer (1) is conducting its business and affairs in a manner as to threaten to render it insolvent, or (2) is in a hazardous condition or is conducting its business and affairs in a manner that is hazardous to its policyholders, creditors, or the public, or (3) has committed or is committing or has engaged or is engaging in any act that would constitute grounds for rendering it subject to conservation or liquidation proceedings, or if the commissioner determines that irreparable loss and injury to the property and business of the domestic insurer has occurred or may occur unless the commissioner acts immediately, then the commissioner may, without hearing, order the insurer and the qualified custodian promptly to effect the transfer of the securities back to a qualified custodian, qualified subcustodian, or qualified depository located in this state from any qualified depository or qualified subcustodian located outside of this state (the transfer order). Upon receipt of the transfer order, the qualified custodian shall promptly effect the return of the securities. Notwithstanding the pendency of any hearing or action provided for in subdivision (f), the transfer order shall be complied with by those persons subject to that order. Any challenge to the validity of the transfer order shall be made in accordance with subdivision (f). It is the responsibility of both the insurer and the qualified custodian to oversee that compliance with the transfer order is completed as expeditiously as possible. Upon receipt of a transfer order, there shall be no trading of the securities without specific instructions from the commissioner until the securities are received in this state, except to the extent trading transactions are in process on the day the transfer order is received by the insurer and the failure to complete the trade may result in loss to the insurer's account. Issuance of a transfer order does not affect the qualified custodian's liabilities with regard to the securities that are the subject of the order.

(f) At the same time the transfer order is served, the commissioner shall issue and also serve upon the insurer a notice of hearing to be held at a time and place fixed therein which shall not be less than 20 nor more than 45 days after the service thereof. Upon request of the insurer and agreement of the department, the hearing may be held within a shorter time but in no event less than 10 days after the service of the notice of hearing. The transfer order and notice of hearing may be served by certified mail, express mail, messenger, telegram, or any other means calculated to give prompt actual notice to (1) the California office of the

insurer designated in the agreement, its home office as shown on its most recently filed annual or quarterly statement, or its California agent for service of process; and (2) the California office of the qualified custodian designated in the agreement. If, as a result of the hearing, any of the statements as to conduct, conditions, or grounds for the transfer order are found to be true, or if other conditions or grounds are discovered or become known at the hearing and are found to be true, the commissioner shall affirm the transfer order and may make additional order or orders, pertaining to the transfer order, as may be reasonably necessary.

The insurer subject to the transfer order is entitled to judicial review in the state of the commissioner's order issued as a result of the hearing.

Alternatively, at any time prior to the commencement of the hearing on the transfer order, the insurer may waive the hearing and have judicial review in this state of the transfer order by petition for writ of mandate and declaratory relief without first exhausting administrative remedies or procedures. In that event the insurer is not entitled to any extraordinary remedies prior to trial.

No person other than the insurer has standing at the hearing by the commissioner or for any judicial review of the transfer order.

SEC. 23. Section 1107.1 of the Insurance Code is amended to read:

1107.1. The commissioner shall require the payment of three hundred seventy-four dollars ($374), as fee for the determination referred to in Section 1107.

SEC. 24. Section 1113 of the Insurance Code is amended to read:

1113. For filing application for a permit issued pursuant to this article, the commissioner shall charge and collect the sum of one hundred seven dollars ($107).

SEC. 25. Section 1140.5 of the Insurance Code is amended to read:

1140.5. (a) Notwithstanding any other law, a copy of every form of proxy or written consent or authorization for use at any meeting or proceeding of shareholders or stockholders of any domestic insurer to evidence authority to cast the vote of any shareholder or stockholder, or to record the consent or the authorization of any shareholder or stockholder to any action of the insurer, and a copy of every solicitation, announcement, or advertisement used to obtain, or to influence any shareholder or stockholder to sign, any proxy, or written consent or authorization shall be filed with the commissioner, accompanied by a filing fee of one hundred thirty-six dollars ($136), by the person intending to use, issue, publish, or circulate the document. This document shall not be used, issued, published, or circulated before a period of 10 days following the date of its filing, or any shorter period that may be designated by the commissioner, has elapsed. Within the 10-day or a shorter period, the commissioner may disapprove of any document filed with him or her pursuant to this section, stating his or her reasons therefor in writing, in which case, the document shall not be used, issued, published, or circulated.

(b) Any person who fails to make the filing required by this section and who thereafter uses any document required to be filed, uses the document before it has been filed with the commissioner for the period required, or uses the document after receiving written notice that the document has been disapproved by the commissioner is guilty of a misdemeanor. It shall be unlawful to use any proxy or consent obtained in violation of this section. The superior court of the State of California in and for the county in which is located the principal place of business of the insurer shall have jurisdiction to enforce this section and the regulations promulgated pursuant to this section, and to grant appropriate relief upon the verified petition of the commissioner, the domestic insurer, or any of its shareholders or stockholders.

(c) The purposes of this section are: to ensure that the shareholders, stockholders, or other persons entitled to vote or give written consents or authorizations are provided with adequate and accurate information regarding the affairs of the insurers in which they have interests, the interests of those soliciting proxies or written consents or authorizations and of those upon whose behalf the solicitations are made, and the matters as to which proxies, written consents, or authorizations are solicited; and to prevent fraud or deception in connection with proxies, proxy statements, or other proxy solicitations. The commissioner may make rules and regulations in furtherance of the purposes of this section. These rules and regulations may differ as to different classes and types of insurers.

(d) This section shall not apply to any domestic insurer having fewer than 100 shareholders or stockholders and shall not apply to any domestic insurer if 95 percent or more of its stock is owned or controlled by a parent or an affiliated insurer and the remaining shares of stock are owned by fewer than 500 shareholders or stockholders. Any domestic insurer that files with the federal Securities and Exchange Commission forms of proxies, consents, and authorizations complying with the requirements of the federal Securities Exchange Act of 1934 (15 U.S.C. Sec. 78a et seq.) and the amendments thereto and the applicable regulations thereunder, is exempt from this section.

SEC. 26. Section 1192.8 of the Insurance Code is amended to read:

1192.8. (a) A domestic life insurer having admitted assets aggregating in value not less than one hundred million dollars ($100,000,000) may make excess fund investments pursuant to this section in interest-bearing notes, bonds, or obligations issued by (1) any operating business trust or limited partnership organized under the laws of any state of the United States, the District of Columbia, the Dominion of Canada, any province of the Dominion of Canada or (2) an authority established pursuant to the California Industrial Development Financing Act, Title 10 (commencing with Section 91500) of the Government Code. The issuer of the notes, bonds, or obligations through itself or its paying agent shall be obligated thereunder to make payments, with respect to the notes, bonds, or other obligations, directly to the insurer or the insurer's nominee.

(b) Except upon the prior written approval of the commissioner, an investment may not be made under the authority of this section unless the note, bond, or obligation is exchange-traded. "Exchange-traded," as used in this subdivision, means listed and traded on the National Market System of the NASDAQ Stock Market or on a securities exchange subject to regulation, supervision, or control under a statute of the United States and acceptable to the commissioner.

(c) Without the prior written consent of the commissioner, an investment made pursuant to this section shall not exceed in the aggregate 10 percent of the life insurer's policyholder surplus.

(d) A request to the commissioner for (1) approval pursuant to subdivision (b) to invest in notes, bonds, or obligations that are not exchange-traded or (2) consent to exceed the 10 percent limitation set forth in subdivision (c), shall be in writing and shall be accompanied by any supporting data and documentation that the commissioner may require. The commissioner shall require the payment of a fee of seven thousand four hundred seventy-two dollars ($7,472), in advance, for the determination of whether to approve or disapprove each request. Each request shall be in writing and shall be deemed approved unless the commissioner disapproves it within 60 days with respect to requests under subdivision (c) or 20 days with respect to requests under subdivision (b), after the request has been filed in the commissioner's office.

(e) This section shall not be construed to increase or reduce the authority to invest in any operating business trust or limited partnership specifically permitted in other sections of this code.

SEC. 27. Section 1194.85 of the Insurance Code is amended to read:

1194.85. In any case in which a domestic insurer has requested the approval of the commissioner to make the investments specified in subdivision (a) or (c) of Section 1194.8, that insurer shall reimburse the department for all actual expenses, not to exceed seven hundred forty-eight dollars ($748), incurred by it in making a determination of whether to approve or disapprove that request.

SEC. 28. Section 1215.2 of the Insurance Code is amended to read:

1215.2. (a) A person shall not make a tender offer for, or a request or invitation for tenders of, or enter into an agreement to exchange securities for or acquire in the open market, any voting security, or any security convertible into a voting security, of a domestic insurer or of any other person controlling a domestic insurer, if the other person is not substantially engaged either directly or through its affiliates in any businesses other than that of insurance, if, as a result of the consummation thereof, the person would, directly or indirectly, acquire control of the insurer, and a person shall not enter into an agreement to merge with or otherwise to acquire control of a domestic insurer, unless, at the time copies of the offer, purchase, request, or invitation are first published, sent, or given to security holders or the agreement or transaction is entered into, as the case may be, the person has filed with the commissioner, and has sent to the insurer, a statement containing the following information, and any additional information as the commissioner may by rule or regulation prescribe as necessary or appropriate in the public interest or for the protection of policyholders or shareholders:

(1) The background and identity of all persons by whom or on whose behalf the purchases or the exchange, merger, or other acquisition of control are to be effected.

(2) The source and amount of the funds or other consideration used or to be used in making the purchases or in effecting the exchange, merger, or other acquisition of control, and, if any part of the funds or other consideration has been or is to be borrowed or otherwise obtained for the purpose of making the purchases or effecting the exchange, merger, or other acquisition of control, a description of the transaction and the names of the parties thereto. However, where a source of funds is a loan made in the lender's ordinary course of business, if the person filing the statement so requests, the name of the lender shall not be made available to the public.

(3) Any plans or proposals that those persons may have to liquidate the insurer, to sell its assets or merge it with any person, or to make any other major change in its business or corporate structure or management.

(4) The amount of each class of voting securities or securities that may be converted into voting securities of the insurer or the controlling person that are beneficially owned, and the amount of each class of voting securities or securities that may be converted into voting securities of the insurer or the controlling person concerning which there is a right to acquire beneficial ownership, by each person and by each affiliate of each person, together with the name and address of each affiliate.

(5) Information as to any contracts, arrangements, or understandings with any person with respect to any securities of the insurer or the controlling person, including, but not limited to, transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies, naming the persons with whom the contracts, arrangements, or understandings have been entered into, and giving the details thereof.

All requests or invitations for tenders or advertisements making a tender offer or requesting or inviting tenders of the voting securities of the insurer or the controlling person made by or on behalf of the person, and a copy of the agreement to exchange or otherwise acquire securities or to merge with or otherwise to acquire control of the insurer, shall be filed with the commissioner and sent to the insurer as a part of the statement and shall contain the information contained in the statement as the commissioner may by rule or regulation prescribe. Copies of any additional material soliciting or requesting the tender offers subsequent to the initial solicitation or request, and copies of any amendment to the agreement, shall contain the information as the commissioner may by rule or regulation prescribe as necessary or appropriate in the public interest or for the protection of policyholders or shareholders, and shall be filed with the commissioner and sent to the insurer not later than the time copies of the material are first published or sent or given to security holders or the amendment is entered into.

(b) If the person required to file the statement referred to in subdivision (a) is a partnership, limited partnership, syndicate, or other group, the commissioner may require that the information called for by paragraphs (1) to (5), inclusive, of subdivision (a) shall be given with respect to: (1) each partner of the partnership or limited partnership, (2) each member of the syndicate or group, and (3) each person who controls the partner or member. If a person referred to in paragraph (1), (2), or (3) of this subdivision is a corporation or the person required to file the statement referred to in subdivision (a) is a corporation, the commissioner may require that the information called for by paragraphs (1) to (5), inclusive, of subdivision (a) shall be given with respect to the corporation and each officer and director of the corporation and each person who is directly or indirectly the beneficial owner of more than 10 percent of the outstanding voting securities of the corporation.

(c) If any tender offer, request, or invitation for tenders, or agreement to exchange or otherwise acquire securities or to merge or otherwise acquire control referred to in subdivision (a), is proposed to be made by means of a registration statement under the federal Securities Act of 1933 (15 U.S.C. Sec. 77a et seq.), or in circumstances requiring the disclosure of similar information under the federal Securities Exchange Act of 1934 (15 U.S.C. Sec. 78a et seq.), or under a state law requiring similar registration or disclosure, the person required to file the statement referred to in subdivision (a) may file that registration statement with the commissioner as full satisfaction of the requirement in subdivision (a).

(d) The purchases, exchanges, mergers, or other acquisitions of control referred to in subdivision (a) may not be made until the commissioner approves the purchases, exchanges, mergers, or other acquisitions of control. The commissioner shall approve or disapprove the transaction on or before the latter of 60 days after the statement required by subdivision (a) has been filed with the commissioner or, if a hearing is held pursuant to subdivision (f), 30 days after the close of the hearing held pursuant to subdivision (f). The commissioner may disapprove the transaction if the commissioner finds any of the following:

(1) After the change of control the domestic insurer referred to in subdivision (a) could not satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed.

(2) The purchases, exchanges, mergers, or other acquisitions of control would substantially lessen competition in insurance in this state or create a monopoly therein.

(3) The financial condition of an acquiring person might jeopardize the financial stability of the insurer, or prejudice the interests of its policyholders.

(4) The plans or proposals that the acquiring person has to liquidate the insurer, to sell its assets, or to merge it with any person, or to make any other major change in its business or corporate structure or management, are not fair and reasonable to policyholders.

(5) The competence, experience, and integrity of those persons who would control the operation of the insurer indicate that it would not be in the interest of policyholders or the public to permit them to do so.

(e) The commissioner shall require the payment of five thousand six hundred forty-two dollars ($5,642) as a fee for filing an application pursuant to this section, the amount to accompany the application. The application shall be on a form and in a format prescribed by the NAIC.

(f) (1) The commissioner may hold a public hearing after the statement required by subdivision (a) is filed. If a hearing is held, at least 20 days' notice shall be given by the commissioner to the person filing the statement. Not less than seven days' notice of the public hearing shall be given by the person filing the statement to the insurer and to other persons as may be designated by the commissioner. At the hearing, the person filing the statement, the insurer, any person to whom notice of hearing was sent, and any other person whose interest may be affected, shall have the right to present evidence, examine and cross-examine witnesses, and offer oral and written arguments, and in connection therewith shall be entitled to conduct proceedings in the same manner as is presently allowed under the Administrative Procedure Act (Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code). All discovery proceedings shall be concluded not later than three days prior to the commencement of the public hearing.

(2) If the proposed acquisition of control will require the approval of more than one commissioner, the public hearing referred to in paragraph (1) may be held on a consolidated basis upon request of the person filing the statement referred to in subdivision (a). The person shall file the statement referred to in subdivision (a) with the NAIC within five days of making the request for a public hearing. A commissioner may opt out of a consolidated hearing, and shall provide notice to the applicant of the opt-out within 10 days of the receipt of the statement referred to in subdivision (a). A hearing conducted on a consolidated basis shall be public and shall be held within the United States before the commissioners of the states in which the insurers are domiciled. The commissioners shall hear and receive evidence. Any commissioner may attend the hearing, in person or by telecommunication.

(g) This section shall not apply to any offer for or request or invitation for tenders of any voting securities, or any agreement to exchange securities for or otherwise acquire control, if the insurer whose shares are to be acquired remains a direct or indirect subsidiary of the same ultimate controlling company person within the insurer's insurance holding company system, neither the acquiring person nor any affiliate acquires or incurs any debt, guarantee, or other liability related to the transaction, and no shares are purchased by or sold to a person who is not an affiliated person in that insurance holding company system, or if, and to the extent that, the commissioner, by rule or regulation or by order, exempts the offer, request, invitation, or agreement from the provisions of this section as not comprehended within the purposes thereof.

(h) For purposes of this section, any controlling person of a domestic insurer seeking to divest its controlling interest in the domestic insurer, in any manner, shall file with the commissioner, with a copy to the insurer, confidential notice of its proposed divestiture at least 30 days prior to the cessation of control. The commissioner shall determine those instances in which the party or parties seeking to divest a controlling interest in an insurer shall be required to file for and obtain approval of the transaction. The information shall remain confidential until the conclusion of the transaction unless the commissioner, in his or her discretion, determines that confidential treatment will interfere with enforcement of this article. If the statement referred to in subdivision (a) is otherwise filed, this subdivision shall not apply.

SEC. 29. Section 1215.5 of the Insurance Code is amended to read:

1215.5. (a) Transactions by registered insurers with their affiliates are subject to the following standards:

(1) The terms shall be fair and reasonable and consistent with the current version of Section 19 of the NAIC Insurance Holding Company System Model Regulation, subject to the requirements of this article.

(2) Charges or fees for services performed shall be reasonable.

(3) Expenses incurred and payment received shall be allocated to the insurer in conformity with customary insurance accounting practices consistently applied.

(4) The books, accounts, and records of each party to all transactions shall be so maintained as to clearly and accurately disclose the precise nature and details of the transactions, including accounting information that is necessary to support the reasonableness of the charges or fees to the parties.

(5) The insurer's policyholder's surplus following any dividends or distributions to shareholder affiliates shall be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

(b) The following transactions involving a domestic insurer or commercially domiciled insurer, as defined in Section 1215.14, and any person in its insurance holding company system, including amendments or modifications of affiliate agreements previously filed pursuant to this section, may be entered into only if the insurer has notified the commissioner in writing of its intention to enter into the transaction at least 30 days prior thereto, or a shorter period as the commissioner may permit, and the commissioner has not disapproved it within that period. The notice for amendments or modifications shall include the reasons for the change and the financial impact on the domestic insurer or commercially domiciled insurer. Informal notice shall be reported, within 30 days after a termination of a previously filed agreement, to the commissioner for determination of the type of filing required, if any. The commissioner shall require the payment of two thousand eight hundred twenty-three dollars ($2,823) as a fee

for filings pursuant to this subdivision, and the filings shall be on a form and in a format prescribed by the NAIC. The payment shall accompany the filing.

(1) Sales, purchases, exchanges, loans, extensions of credit, or investments, if the transactions are equal to or exceed:

(A) For a nonlife insurer, the lesser of 3 percent of the insurer's admitted assets or 25 percent of the policyholder's surplus as of the preceding December 31.

(B) For a life insurer, 3 percent of the insurer's admitted assets as of the preceding December 31.

(2) Loans or extensions of credit to a person who is not an affiliate, if made with the agreement or understanding that the proceeds of the transactions, in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase assets of, or to make investments in, any affiliate of the insurer, if the transactions are equal to or exceed:

(A) For a nonlife insurer, the lesser of 3 percent of the insurer's admitted assets or 25 percent of the policyholder's surplus as of the preceding December 31.

(B) For a life insurer, 3 percent of the insurer's admitted assets as of the preceding December 31.

(3) Reinsurance agreements and pooling agreements and modifications thereto in which the reinsurance premium or a change in the insurer's liabilities, or the projected reinsurance premium or a change in the insurer's liabilities in any of the next three years, equals or exceeds 5 percent of the insurer's policyholder's surplus, as of the preceding December 31, including those agreements that may require as consideration the transfer of assets from an insurer to a nonaffiliate, if an agreement or understanding exists between the insurer and nonaffiliate that any portion of the assets will be transferred to one or more affiliates of the insurer.

(4) All management agreements, service contracts, tax sharing agreements, and cost-sharing arrangements. However, subscription agreements or powers of attorney executed by subscribers of a reciprocal or interinsurance exchange are not required to be reported pursuant to this section if the form of the agreement was in use before 1943 and was not amended in any way to modify payments, fees, or waivers of fees or otherwise substantially amended after 1943. Payment or waiver of fees or other amounts due under subscription agreements or powers of attorney forms that were in use before 1943 and that have not been amended in any way to modify payments, fees, or waiver of fees, or otherwise substantially amended after 1943 shall not be subject to regulation pursuant to paragraph (2) of subdivision (a).

(5) Guarantees when initiated or made by a domestic or commercially domiciled insurer, provided that a guarantee that is quantifiable as to amount is not subject to the notice requirements of this paragraph unless it exceeds the lesser of one-half of 1 percent of the insurer's admitted assets or 10 percent of surplus as regards policyholders as of the 31st day of December next preceding. Further, all guarantees that are not quantifiable as to amount are subject to the notice requirements of this paragraph.

(6) Derivative transactions or series of derivative transactions. The written filing to the commissioner shall include the type or types of derivative transactions, the affiliate or affiliates engaging with the insurer in the derivative transactions, the objective and the rationale for the derivative transaction or series of derivative transactions, the maximum maturity and economic effect of the derivative transactions, and any other information required by the commissioner. Derivative transactions entered into pursuant to this subdivision shall comply with the provisions of Section 1211.

(7) Direct or indirect acquisitions or investments in a person that controls the insurer or in an affiliate of the insurer in an amount that, together with its present holdings in those investments, exceeds 2.5 percent of the insurer's policyholder's surplus. Direct or indirect acquisitions or investments in subsidiaries acquired under Section 1215.1, or in nonsubsidiary insurance affiliates that are subject to the provisions of this article, or in subsidiaries acquired pursuant to Section 1199, are exempt from this requirement.

(8) Any material transactions, specified by regulation, that the commissioner determines may adversely affect the interests of the insurer's policyholders.

(c) A domestic insurer may not enter into transactions that are part of a plan or series of transactions with persons within the holding company system if the purpose of those transactions is to avoid the statutory threshold amount and thus avoid review. If the commissioner determines that separate transactions were entered into over any 12-month period to avoid review, the commissioner may exercise his or her authority under Section 1215.11.

(d) The commissioner, in reviewing transactions under subdivision (b), shall consider whether the transactions comply with the standards set forth in subdivision (a) and whether they may adversely affect the interests of policyholders.

(e) The commissioner shall be notified within 30 days of any investment by the insurer in any one corporation if the total investment in the corporation by the insurance holding company system exceeds 10 percent of the corporation's voting securities.

(f) For purposes of this article, in determining whether an insurer's policyholder's surplus is reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs, the following factors, among others, shall be considered:

(1) The size of the insurer, as measured by its assets, capital and surplus, reserves, premium writings, insurance in force, and other appropriate criteria.

(2) The extent to which the insurer's business is diversified among the several lines of insurance.

(3) The number and size of risks insured in each line of business.

(4) The extent of the geographical dispersion of the insurer's insured risks.

(5) The nature and extent of the insurer's reinsurance program.

(6) The quality, diversification, and liquidity of the insurer's investment portfolio.

(7) The recent past and projected future trend in the size of the insurer's investment portfolio.

(8) The recent past and projected future trend in the size of the insurer's surplus, and the policyholder's surplus maintained by other comparable insurers.

(9) The adequacy of the insurer's reserves.

(10) The quality and liquidity of investments in subsidiaries made under Section 1215.1. The commissioner may treat those investments as a disallowed asset for purposes of determining the adequacy of the policyholder's surplus whenever, in his or her judgment, the investment so warrants.

(11) The quality of the company's earnings and the extent to which the reported earnings include extraordinary accounting items.

(g) An insurer, subject to registration under Section 1215.4, shall not pay any extraordinary dividend or make any other extraordinary distribution to its stockholders until 30 days after the commissioner has received notice of the declaration thereof and has approved the payment or has not, within the 30-day period, disapproved the payment.

For purposes of this section, an extraordinary dividend or distribution is any dividend or distribution that, together with other dividends or distributions made within the preceding 12 months, exceeds the greater of (1) 10 percent of the insurer's policyholder's surplus as of the preceding December 31, or (2) the net gain from operations of the insurer, if the insurer is a life insurer, or the net income, if the insurer is not a life insurer, for the 12-month period ending the preceding December 31.

Notwithstanding any other law, an insurer may declare an extraordinary dividend or distribution that is conditional upon the commissioner's approval. The declaration confers no rights upon stockholders until the commissioner has approved the payment of the dividend or distribution or until the commissioner has not disapproved the payment within the 30-day period referred to in this subdivision.

(h) Notwithstanding the control of a domestic insurer by any person, the officers and directors of the insurer shall not thereby be relieved of any obligation or liability to which they would otherwise be subject to by law, and the insurer shall be managed to ensure its separate operating identity consistent with the provisions of this article. However, nothing in this article shall preclude a domestic insurer from having or sharing a common management or cooperative or joint use of personnel, property, or services with one or more other persons under arrangements meeting the standards of subdivision (a).

(i) The provisions of this section do not apply to any insurer, information, or transaction exempted by the commissioner.

SEC. 30. Section 1401.5 of the Insurance Code is amended to read:

1401.5. (a) When the commissioner finds after a public hearing that a reciprocal or interinsurance exchange has at all times during any consecutive five-year period terminating on December 31, 1964, or on the last day of any subsequent calendar year, as shown by its annual statements, as filed or as adjusted by the commissioner, as the case may be, maintained a surplus of admitted assets over all liabilities of at least three million dollars ($3,000,000) the commissioner may make an order that the reciprocal or interinsurance exchange need not obtain the certificate provided in Section 1401 and that its subscribers shall thereafter in perpetuity have no liability for assessment on policies issued or renewed at any time after that order becomes final or may, if the reciprocal desires not to become nonassessable, issue a certificate of capability to reinsure. To request the order, the reciprocal or interinsurance exchange shall file a petition with the commissioner, on a form prescribed by the commissioner. The filing fee for the petition shall be five hundred sixty-seven dollars ($567). The commissioner shall give notice of the hearing in the

insurance press and in any other ways as he or she deems advisable and to the extent he or she deems advisable. That order is subject to the provisions of Section 12940 and any person with sufficient relevant interest shall be authorized to bring any permitted action thereunder.

(b) When the order of the commissioner becomes final any domestic reciprocal or interinsurance exchange obtaining that order shall no longer be subject to or entitled to the benefits of: subdivision (c) of Section 1307, subdivision (b) of Section 1374, and Article 6 (commencing with Section 1390) of this chapter.

(c) At the time all reciprocal or interinsurance exchanges conducting insurance business in this state are by law governed for all purposes as to required minimum surplus (including that for admission, amendment of certificate of authority, and solvency) by the same standards for minimum paid-in capital and surplus as are then applicable to capital stock insurers, any domestic reciprocal or interinsurance exchange may obtain the order provided in subdivision (a), subject to the provisions in subdivision (a) by showing that it has maintained the minimum paid-in capital and surplus requirement applicable to capital stock insurers for at least five consecutive years in lieu of the three million dollars ($3,000,000) surplus prescribed in subdivision (a).

(d) If the power of attorney or any policy of any domestic reciprocal or interinsurance exchange obtaining the order provided by subdivision (a) contains language directly or indirectly creating a liability for assessment, in respect to policies issued prior to or issued after the order becomes final that power of attorney and all those policies shall be deemed in law to have been amended to delete and repeal any and all of those assessment provisions as of the date that the order becomes final without any further action on the part of the reciprocal or interinsurance exchange, its subscribers, its attorney-in-fact, or the body exercising the subscriber's rights.

SEC. 31. Section 1589 of the Insurance Code is amended to read:

1589. Whenever a deposit is made with the commissioner, he or she shall issue to the depositing insurer a certificate under his or her official seal stating the items and amount of securities so deposited, and their value, to the best of his or her knowledge. In case of withdrawal and substitution, he or she shall issue a supplemental certificate of similar nature.

The commissioner shall require the payment of seventy-two dollars ($72), in advance, as a fee for issuing the first certificate provided for in this article to each insurer, and twenty-five dollars ($25) for each additional certificate or each supplemental certificate evidencing any withdrawal, substitution, or other change in the securities deposited. There shall be no other or additional fee for attaching the commissioner's seal to a securities deposit schedule in those instances. The fees prescribed herein are separate from and not cumulative upon those prescribed by Article 11 (commencing with Section 939), Chapter 1.

SEC. 32. Section 1590 of the Insurance Code is amended to read:

1590. The commissioner shall require the payment of forty-four dollars ($44), in advance, as a fee for filing a certificate of deposit of securities under this article.

SEC. 33. Section 1599 of the Insurance Code is amended to read:

1599. The commissioner shall require the payment of twenty-nine dollars ($29), in advance, as a fee for filing each certificate of a trustee required to be filed by Section 1592.

SEC. 34. Section 1601 of the Insurance Code is amended to read:

1601. (a) A fee shall not be charged, except as included in the application for certificate of authority fee provided by Article 3 (commencing with Section 699) of Chapter 1, for filing the initial appointment of an agent for service of process under this article by an applicant for admission.

(b) Thereafter, the commissioner shall require the payment of seventy-two dollars ($72), in advance, as a fee for filing the appointment of an agent for service of process, or stipulation, or both by every admitted foreign or alien insurer pursuant to this article.

SEC. 35. Section 1750 of the Insurance Code is amended to read:

1750. The commissioner shall require, in advance, as a fee for filing application for the hereinafter designated licenses, renewals thereof, or changes in outstanding licenses, an amount calculated as set forth herein. The fee is determined by multiplying the number of license years in the period of the license applied for or the remaining period of an existing license counting any initial fractional license year of that period as one year for that purpose, as follows:

(a) Casualty broker-agent, eighty-five dollars ($85).

(b) Property broker-agent, eighty-five dollars ($85).

(c) Property and casualty broker-agent, when applied for on a single application, eighty-five dollars ($85).

(d) Personal lines broker-agent, resident, eighty-five dollars ($85).

(e) Life agent, resident, eighty-five dollars ($85).

(f) Life agent, nonresident, eighty-five dollars ($85).

(g) Surplus line broker who is an individual transacting only on behalf of a surplus line broker organization, two hundred fifty dollars ($250).

(h) Surplus line broker not described in subdivision (g), five hundred dollars ($500).

(i) Variable contract authority, nonresident, when not also applying for a nonresident life agent license, eighty-five dollars ($85).

SEC. 36. Section 1751 of the Insurance Code is amended to read:

1751. The commissioner shall require, in advance, a fee for filing the following documents:

(a) Application for registration of change in membership of a copartnership licensed as any of the following:

(1) Casualty broker-agent, eighty-five dollars ($85).

(2) Property broker-agent, eighty-five dollars ($85).

(3) Property and casualty broker-agent, when applied for on a single application, eighty-five dollars ($85).

(4) Life agent, resident, eighty-five dollars ($85).

(5) Life agent, nonresident, eighty-five dollars ($85).

(6) Personal lines broker-agent, eighty-five dollars ($85).

(b) Notice for adding or removing from any life agent's, property broker-agent's, casualty broker-agent's, or personal lines broker-agent's license issued to an organization the name of any natural person named thereon, twenty-nine dollars ($29).

(c) First amendment to an application, fourteen dollars ($14); a second and each subsequent amendment to an application, twenty-nine dollars ($29).

(d) Original application to be given the qualifying examination for a license of a property, casualty, or personal lines licensee, fifty dollars ($50) for each person to be examined.

(e) Original application to be given the qualifying examination for a license of a life licensee, fifty dollars ($50) for each person to be examined.

(f) Application for reexamination for any of the licenses mentioned in this section, fifty dollars ($50) for each person to be reexamined.

(g) Application that includes a request for a certificate of convenience pursuant to Article 8 (commencing with Section 1685), thirty-five dollars ($35) in addition to, and not in lieu of, fees otherwise required.

(h) Application or request for approval of a true or fictitious name pursuant to Section 1724.5, fifty-three dollars ($53), except that there shall be no fee when the name is contained in an original application.

(i) "A ratification of appointments of agents" whereby the surviving insurer in a merger or consolidation assumes responsibility for all agents then lawfully appointed for one of the constituent insurers and makes each its agent, one hundred eighty-five dollars ($185).

(j) A bond, pursuant to Article 5 (commencing with Section 1662) or Section 1760.5 or 1765, except when the bond constitutes part of an original application filing, twenty-nine dollars ($29).

(k) An application or request for clearance and cancellation notice of a current licensee of record, twenty-nine dollars ($29).

(l) An amended action notice pursuant to subdivision (e) of Section 1704, eleven dollars ($11).

SEC. 37. Section 1751.1 of the Insurance Code is amended to read:

1751.1. (a) The commissioner shall require seventy-five dollars ($75), in advance, as a fee for filing an application for certification as a prelicensing or continuing education provider pursuant to Section 1749.1. That certification shall be effective for a period of 24 months.

(b) The commissioner shall require seventy-five dollars ($75), in advance, as a fee for filing an application to renew certification as a prelicensing or continuing education provider pursuant to Section 1749.1. That certification shall be effective for a period of 24 months.

(c) The commissioner shall require seventy-five dollars ($75), in advance, as a fee for filing an application for certification of a prelicensing education course pursuant to Section 1749. That certification shall be effective for a period of 24 months.

(d) The commissioner shall require thirty-seven dollars ($37), in advance, as a fee for filing an application to renew certification of a prelicensing education course pursuant to Section 1749. That certification shall be effective for a period of 24 months.

(e) The commissioner shall require thirty-seven dollars ($37), in advance, as a fee for filing an application for certification of a continuing education course, program, or seminar pursuant to Section 1749.3 and Section 1749.32. That certification shall be effective for a period of 24 months.

(f) The commissioner shall require fourteen dollars ($14), in advance, as a fee for filing an application to renew certification of a continuing education course, program, or seminar pursuant to Section 1749.3 and Section 1749.32. That certification shall be effective for a period of 24 months.

SEC. 38. Section 1751.3 of the Insurance Code is amended to read:

1751.3. The commissioner shall require twenty-nine dollars ($29), in advance, as a fee for filing each notice of appointment or each notice of termination pursuant to Section 1707 of any of the following:

(a) A casualty broker-agent to act as an insurance agent.

(b) A property broker-agent to act as an insurance agent.

(c) A life agent.

(d) A travel insurance agent.

(e) A casualty broker-agent to act as an insurance solicitor.

(f) A property broker-agent to act as an insurance solicitor.

SEC. 39. Section 1751.6 of the Insurance Code is amended to read:

1751.6. (a) The commissioner may prepare a list of all currently licensed producers. All those lists shall be at the expense of the insurer, organization, or person requesting this service, except that special lists that are a part of the regulatory responsibility of the department may be at the expense of the state in the discretion of the commissioner. The costs and expenses of all those lists shall be paid from the support appropriation for the department current at the time of the preparation of the list but shall be charged to, and collected from, the insurer, organization, or person requesting the list. All list preparation expense moneys collected by the department under this section are hereby appropriated to the department and shall be deposited in the Insurance Fund to the credit of the support appropriation for the department current at the time of the deposit. If any insurer, organization, or person refuses to pay those costs and expenses promptly when due, the commissioner may refuse to issue its certificate of authority, certificate of exemption, or license, as the case may be, and may revoke any existing certificate of authority, certificate of exemption, or license.

(b) The fees for producers licensed in this state are as follows:

(1) Resident insurance producer (individual), three thousand sixty dollars ($3,060).

(2) Resident property and casualty broker-agent (individual), eight hundred thirty-three dollars ($833).

(3) Resident life agent (individual), one thousand five hundred twenty-six dollars ($1,526).

(4) Resident insurance producer (agency), one hundred forty-seven dollars ($147).

(5) Nonresident insurance producer (individual), eight hundred ninety-five dollars ($895).

(6) Nonresident property and casualty broker-agent (individual), two hundred twelve dollars ($212).

(7) Nonresident life agent (individual), four hundred twenty-four dollars ($424).

(8) Nonresident insurance producer (agency), eighty-eight dollars ($88).

(9) Bail (individual), eighty-eight dollars ($88).

(10) Bail (agency), eighty-eight dollars ($88).

(11) Resident estate certificate of convenience, eighty-eight dollars ($88).

(12) Interim public insurance adjuster, eighty-eight dollars ($88).

(13) Resident adjuster (individual), eighty-eight dollars ($88).

(14) Reinsurance intermediary broker, eighty-eight dollars ($88).

(15) Reinsurance intermediary manager, eighty-eight dollars ($88).

(16) Resident adjuster (agency), eighty-eight dollars ($88).

(17) Nonresident adjuster (agency), eighty-eight dollars ($88).

(18) Resident personal lines broker-agent (individual), eighty-eight dollars ($88).

(19) Resident personal lines broker-agent (agency), eighty-eight dollars ($88).

(20) Nonresident personal lines broker-agent (individual), eighty-eight dollars ($88).

(21) Nonresident personal lines broker-agent (agency), eighty-eight dollars ($88).

(22) Resident credit insurance agent (individual), eighty-eight dollars ($88).

(23) Resident credit insurance agent (agency), eighty-eight dollars ($88).

(24) Nonresident credit insurance agent (individual), eighty-eight dollars ($88).

(25) Nonresident credit insurance agent (agency), eighty-eight dollars ($88).

(26) All (no restrictions on license type), four thousand fifteen dollars ($4,015).

(27) Partial listing, eight hundred thirty-nine dollars ($839), plus one cent ($0.01) per name.

SEC. 40. Section 1755 of the Insurance Code is amended to read:

1755. (a) An applicant for a limited lines travel insurance agent license under this article shall submit the following documents to the commissioner:

(1) A written application for licensure, signed by the applicant or an officer of the applicant, in the form prescribed by the commissioner.

(2) A certificate by the insurer that is to be named in the limited lines travel insurance agent license, stating that the insurer has satisfied itself that the named applicant is trustworthy and competent to act as its limited lines travel insurance agent and that the insurer will appoint the applicant to act as its agent if the travel insurance agent license applied for is issued by the commissioner. The certification shall be subscribed by an officer or managing agent of the insurer on a form prescribed by the commissioner.

(3) An application fee, and, for each license period thereafter, a renewal fee of two thousand sixty-four dollars ($2,064).

(b) Notwithstanding any other law to the contrary, the provisions set forth in Sections 1667, 1668, 1668.5, 1669, 1670, 1738, and 1739 apply to any application for or issuance of a license pursuant to this article.

(c) Costs associated with any enforcement action shall be paid for by the person or organization licensed pursuant to this article.

SEC. 41. Section 1757.2 of the Insurance Code is amended to read:

1757.2. A limited license shall be applied for and renewed in the same manner as is provided in this chapter for a licensee to act as a property broker-agent or a casualty broker-agent, except that an applicant for a limited license as a cargo shipper’s agent

need not pass a qualifying examination and is exempt from the prelicensing and continuing education requirements. The fee for filing an application shall be twenty-nine dollars ($29) for each year or fraction thereof of the term of the license applied for.

SEC. 42. Section 1758.62 of the Insurance Code is amended to read:

1758.62. (a) An applicant for a portable electronics insurance agent license under this article shall submit all of the following to the commissioner:

(1) A written application for licensure, signed by the applicant or an officer of the applicant, in the form prescribed by the commissioner.

(2) A certificate by the insurer that is to be named in the portable electronics insurance agent license, stating that the insurer has satisfied itself that the named applicant is trustworthy and competent to act as its insurance agent limited to this purpose and that the insurer will appoint the applicant to act as its agent to transact the kind or kinds of insurance that are permitted by this article, if the portable electronics insurance agent license applied for is issued by the commissioner. The certification shall be subscribed by an officer or managing agent of the insurer on a form prescribed by the commissioner.

(3) An application fee, and, for each license period thereafter, a renewal fee, of two hundred ninety-two dollars ($292).

(b) Notwithstanding any other law to the contrary, the provisions set forth in Sections 1667, 1668, 1668.5, 1669, 1670, 1738, and 1739 apply to any application for or issuance of a license pursuant to this article.

(c) Costs associated with any enforcement action or investigation shall be paid for by the person or organization licensed pursuant to this article.

SEC. 43. Section 1758.7 of the Insurance Code is amended to read:

1758.7. (a) A self-service storage facility, or franchisee of a self-service storage facility, shall not offer or sell insurance unless it has complied with the requirements of this article and has been issued a license by the commissioner as provided in this article.

(b) The commissioner may issue to a self-service storage facility, or its franchisee, that has complied with the requirements of this article, a license that authorizes the self-service storage facility or its franchisee to offer or sell the types of insurance specified in Section 1758.75 in connection with and incidental to rental agreements on behalf of any insurer authorized to write those types of insurance policies in this state.

(c) (1) The license period shall be a two-year period beginning as described in subparagraph (A) or (B) of paragraph (2), as applicable, and ending on the second succeeding year on the last calendar day of the month in which the initial license was issued.

(2) The commencement of a license period shall be determined for each self-service storage facility or franchisee of a self-service storage facility, as follows:

(A) Upon initial licensing, the license period begins on the date the license is issued.

(B) Upon license renewal, the license period begins on the first day of the month following the month in which the initial license was issued.

(3) (A) Not less than 60 days before a permanent license will expire, the commissioner may use an electronic delivery method, including email or other similar electronic method of delivery, to deliver, or may mail, to the latest email or mailing address appearing on his or her records, an application to the licensee to renew the license for the appropriate succeeding license period. It is the licensee's responsibility to renew whether or not a renewal application is received. The commissioner may accept a late renewal without penalty, provided that the licensee's failure to comply is due to clerical error or inadvertence on the part of the department.

(B) The application for renewal of a license shall be filed on or before the expiration date.

(C) The application for renewal of an expired license may be filed after the expiration date and until the same month and day of the next succeeding year. A licensee who files the renewal application after the license has expired shall be charged, in addition to the renewal fee, a penalty of 50 percent of the renewal fee.

(d) The applicant for a license pursuant to this section shall submit an application fee upon initial application and upon renewal application of two hundred ninety-four dollars ($294).

(e) Costs associated with any enforcement action or investigation shall be paid for by the person or organization licensed pursuant to this article.

SEC. 44. Section 1758.81 of the Insurance Code is amended to read:

1758.81. (a) An applicant for a rental car agent license under this article shall file the following documents with the commissioner:

(1) A written application for licensure, signed by the applicant or an officer of the applicant, in the form prescribed by the commissioner.

(2) A certificate by the insurer that is to be named in the rental car agent license, stating that the insurer has satisfied itself that the named applicant is trustworthy and competent to act as its insurance agent limited to this purpose and that the insurer will appoint the applicant to act as its agent to transact the kind or kinds of insurance that are permitted by this article, if the rental car agent license applied for is issued by the commissioner. The certification shall be subscribed by an officer or managing agent of the insurer on a form prescribed by the commissioner.

(3) An application fee, and, each license period thereafter, a renewal fee, of four hundred sixty-three dollars ($463).

(4) Not less than 60 days before a permanent license will expire, the commissioner may use an electronic delivery method, including email or other similar electronic method of delivery, to deliver, or may mail, to the latest email or mailing address appearing on his or her records, an application to the licensee to renew the license for the appropriate succeeding license period. It is the licensee's responsibility to renew whether or not a renewal application is received. The commissioner may accept a late renewal without a penalty, provided the licensee's failure to comply is due to clerical error or inadvertence on the part of the department.

(A) The application for renewal of a license shall be filed on or before the expiration date.

(B) The application for renewal of an expired license may be filed after the expiration date and until that same month and day of the next succeeding year. A licensee who files the renewal application after the license has expired shall be charged, in addition to the renewal fee, a penalty of 50 percent of the renewal fee.

(b) Notwithstanding any other law to the contrary, Sections 1667, 1668, 1668.5, 1669, 1670, 1720, 1738, and 1739 apply to any application for or issuance of a license pursuant to this article.

(c) Costs associated with any enforcement action or investigation shall be paid for by the person or organization licensed pursuant to this article.

SEC. 45. Section 1758.92 of the Insurance Code is amended to read:

1758.92. (a) An applicant for a credit insurance agent license under this article shall submit each of the following to the commissioner:

(1) A written application for licensure signed by the applicant or an officer of the applicant, in the form prescribed by the commissioner.

(2) A certificate by the insurer that is to be named in the credit insurance agent license, stating that the insurer has satisfied itself that the named applicant is trustworthy and competent to act as its insurance agent limited to this purpose and that the insurer will appoint the applicant to act as its agent in reference to selling or soliciting the kind or kinds of insurance that are permitted by this article, if the credit insurance agent license applied for is issued by the commissioner. The certification shall be subscribed by an officer or managing agent of the insurer on a form prescribed by the commissioner.

(3) An application fee, and, for each license period thereafter, a renewal fee, of four hundred eight dollars ($408).

(b) Notwithstanding any other law to the contrary, the provisions set forth in Sections 1667, 1668, 1668.5, 1669, 1670, 1720, 1738, and 1739 apply to any application for or issuance of a license, or any application for or approval of an endorsee, pursuant to this article.

(c) (1) Not less than 60 days before a permanent license will expire, the commissioner may use an electronic delivery method, including email or other similar electronic method of delivery, to deliver, or may mail, to the latest email or mailing address appearing on his or her records, an application to the licensee to renew the license for the appropriate succeeding license period. It is the licensee's responsibility to renew whether or not a renewal application is received. The commissioner may accept a late renewal without penalty, provided the licensee's failure to comply is due to a clerical error or inadvertence on the part of the department.

(2) An application for renewal shall be filed on or before the expiration date.

(3) The application for renewal of an expired license may be filed after the expiration date and until that same month and date of the next succeeding year. A licensee who files a renewal application after the license has expired shall be charged, in addition to the renewal fee, a penalty of 50 percent of the renewal fee for the credit insurance agent license and all endorsees.

(d) Costs associated with any enforcement action or investigation shall be paid for by the person or organization licensed pursuant to this article.

SEC. 46. Section 1765 of the Insurance Code is amended to read:

1765. (a) A license under this chapter shall be applied for and renewed by the filing with the commissioner of a written application therefor, in accordance with Section 1652.

(b) Subject to subdivision (f), the commissioner shall issue a license authorizing any applicant who is trustworthy and competent to transact an insurance brokerage business in a manner as to safeguard the interest of the insured, to act as a surplus line broker from the date of the license until the expiration date specified in Section 1630.

(c) An applicant for a surplus line broker's license shall, as part of the application and a condition of the issuance of the license, file a bond to the people of the State of California in the sum of fifty thousand dollars ($50,000), conditioned that the licensee will fully and faithfully comply with the requirements of this chapter, and all applicable provisions of this code. The bond shall be subject to Sections 1662 and 1663. A surplus line broker bond is not required for an individual licensed as a surplus line broker who transacts only on behalf of a licensed surplus line broker organization.

(d) Every applicant for a business entity license, as provided in subdivision (a) of Section 1765.2, shall provide the names of all persons who may exercise the power and perform the duties under the license. Whenever an organization licensed as a surplus line broker desires to change, remove, or add to the natural person or persons who are to transact insurance under authority of its license, it shall immediately file an application or notice with the commissioner for an endorsement changing its license accordingly, on a form prescribed by the commissioner. The fee for adding or removing from any surplus line broker's license issued to an organization the name of any natural person, named thereon, shall be twenty-nine dollars ($29). The commissioner shall require that the qualifying examination provided by subdivision (a) of Section 1676 be taken by any natural person named by the organization to exercise its agency or brokerage powers who would be required to take and pass the qualifying examination. That natural person or persons and the organization are in all other respects subject to the provisions of this chapter and the insurance laws.

(e) The department is authorized to collect additional license fees resulting from the increases in license fees provided by Chapter 29 of the Statutes of 2008 and shall credit any overpayment resulting from reductions in license fees provided by that act.

(f) A business entity licensed under this chapter shall provide two hours of appropriate training to its employees who solicit, negotiate, or effect insurance coverage placed by a nonadmitted insurer. The training shall be given to each eligible employee every five years. The surplus line advisory organization authorized pursuant to Chapter 6.1 (commencing with Section 1780.50) shall develop the curriculum for the training.

(g) The license shall be renewed in accordance with, and subject to, Sections 1717, 1718, 1719, and 1720.

(h) The commissioner may deny, suspend, or revoke any license applied for or granted pursuant to this chapter on all or any one of the grounds and in accordance with the procedures provided in Article 6 (commencing with Section 1666) and Article 13 (commencing with Section 1737) of Chapter 5, whenever the commissioner finds that the applicant or licensee has committed a violation of any provision of this code.

SEC. 47. Section 1765.2 of the Insurance Code is amended to read:

1765.2. A surplus line broker may place any coverage with a California-approved nonadmitted insurer if the insurer is domiciled in the Republic of Mexico and the placement covers only liability arising out of the ownership, maintenance, or use of a motor vehicle, aircraft, or boat in the Republic of Mexico, or if, at the time of placement, the nonadmitted insurer meets the following requirements:

(a) (1) Has established its financial stability, reputation, and integrity, for the class of insurance the broker proposes to place, by satisfactory evidence submitted to the commissioner through a surplus line broker.

(2) Meets one of the following requirements with respect to its financial stability:

(A) Has capital and surplus that together total at least forty-five million dollars ($45,000,000). "Capital" shall be as defined in Section 36. "Surplus" shall be defined as assets exceeding the sum of liabilities for losses reported, expenses, taxes, and all other indebtedness and reinsurance of outstanding risks as provided by law and paid-in capital in the case of an insurer issuing or having outstanding shares of capital stock. The type of assets to be used in calculating capital and surplus shall

be as follows: at least twenty-five million dollars ($25,000,000) shall be in the form of cash, or securities of the same character and quality as specified in Sections 1170 to 1182, inclusive, or in readily marketable securities listed on regulated United States' national or principal regional securities exchanges. The remaining assets shall be in the form just described or in the form of investments of substantially the same character and quality as described in Sections 1190 to 1202, inclusive. In calculating capital and surplus under this section, the term "same character and quality" shall permit, but not require, the commissioner to approve assets maintained in accordance with the laws of another state or country. The commissioner shall be guided by the limitations, restrictions, or other requirements of this code or the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual in determining whether assets substantially similar to those described in Sections 1190 to 1202, inclusive, qualify. The commissioner shall retain the discretion to disapprove or disallow an asset that is not of a sound quality, or that he or she deems to create an unacceptable risk of loss to the insurer or to policyholders. Letters of credit shall not qualify as assets in the calculation of surplus. If capital and surplus together total less than forty-five million dollars ($45,000,000), the commissioner has affirmatively found that the capital and surplus are adequate to protect California policyholders. The commissioner shall consider, on determining whether to make this finding, factors such as quality of management, the capital and surplus of a parent company, the underwriting profit and investment income trends, and the record of claims payment and claims handling practices of the nonadmitted insurer.

(B) In the case of an "Insurance Exchange" created and authorized under the laws of individual states, maintains capital and surplus of not less than fifty million dollars ($50,000,000) in the aggregate. "Capital" shall be as defined in Section 36. "Surplus" shall be defined as assets exceeding the sum of liabilities for losses reported, expenses, taxes, and all other indebtedness and reinsurance of outstanding risks as provided by law and paid-in capital in the case of an insurer issuing or having outstanding shares of capital stock. The type of assets to be used in calculating capital and surplus shall be as follows: at least twenty-five million dollars ($25,000,000) shall be in the form of cash, or securities of the same character and quality as specified in Sections 1170 to 1182, inclusive, or in readily marketable securities listed on regulated United States' national or principal regional securities exchanges. The remaining assets shall be in the form just described or in the form of investments of substantially the same character and quality as described in Sections 1190 to 1202, inclusive. In calculating capital and surplus under this section, the term "same character and quality" shall permit, but not require, the commissioner to approve assets maintained in accordance with the laws of another state or country. The commissioner shall be guided by the limitations, restrictions, or other requirements of this code or the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual in determining whether assets substantially similar to those described in Sections 1190 to 1202, inclusive, qualify. The commissioner shall retain the discretion to disapprove or disallow an asset that is not of a sound quality, or that he or she deems to create an unacceptable risk of loss to the insurer or to policyholders. Letters of credit shall not qualify as assets in the calculation of surplus. Each individual syndicate seeking to accept surplus line placements of risks resident, located, or to be performed in this state shall maintain minimum capital and surplus of not less than six million four hundred thousand dollars ($6,400,000). Each individual syndicate shall increase the capital and surplus required by this paragraph by one million dollars ($1,000,000) each year until it attains a capital and surplus of forty-five million dollars ($45,000,000).

(C) In the case of a syndicate that is part of a group consisting of incorporated individual insurers, or a combination of both incorporated and unincorporated insurers, that at all times maintains a trust fund of not less than one hundred million dollars ($100,000,000) in a qualified United States financial institution as security to the full amount thereof for the United States surplus line policyholders and beneficiaries of direct policies of the group, including all policyholders and beneficiaries of direct policies of the syndicate, and the full balance in the trust fund is available to satisfy the liabilities of each member of the group of those syndicates, incorporated individual insurers or other unincorporated insurers, without regard to their individual contributions to that trust fund, and the trust complies with the terms of and conditions specified in paragraph (1) of subdivision (b), the syndicate is excepted from the capital and surplus requirements of subparagraph (A). The incorporated members of the group shall not be engaged in any business other than underwriting as a member of the group and shall be subject to the same level of solvency regulation and control by the group's domiciliary regulator as are the unincorporated members.

(b) (1) In addition, to be approved as a surplus line insurer, an insurer not domiciled in one of the United States or its territories shall have in force in the United States an irrevocable trust account in a qualified United States financial institution, for the protection of United States policyholders, of not less than five million four hundred thousand dollars ($5,400,000) and consisting of cash, securities acceptable to the commissioner that are authorized pursuant to Sections 1170 to 1182, inclusive, readily marketable securities acceptable to the commissioner that are listed on a regulated United States national or principal regional security exchange, or clean and irrevocable letters of credit acceptable to the commissioner and issued by a qualified United States financial institution. The trust agreement shall be in a form acceptable to the commissioner. The funds in the trust account may be included in any calculation of capital and surplus, except letters of credit, which shall not be included in the calculation.

(2) In the case of a syndicate seeking approval under subparagraph (C) of paragraph (2) of subdivision (a), the syndicate shall, in addition to the requirements of that subparagraph, at a minimum, maintain in the United States a trust account in an amount satisfactory to the commissioner that is not less than the amount required by the domiciliary state of the syndicate's trust. The trust account shall comply with the terms and conditions specified in paragraph (1).

(3) In the case of a group of incorporated insurers under common administration that maintains a trust fund of not less than one hundred million dollars ($100,000,000) in a qualified United States financial institution for the payment of claims of its United States policyholders, their assigns, or successors in interest and that complies with the terms and conditions of paragraph (1) that has continuously transacted an insurance business outside the United States for at least three years, that is in good standing with its domiciliary regulator, whose individual insurer members maintain standards and a financial condition reasonably comparable to admitted insurers, that submits to this state's authority to examine its books and bears the expense of examination, and that has an aggregate policyholder surplus of ten billion dollars ($10,000,000,000), the group is excepted from the capital and surplus requirements of subdivision (a).

(c) Unless available from the NAIC or other public source, has caused to be provided to the commissioner the following documents:

(1) The financial documents as specified below, each showing the insurer's condition as of a date not more than 12 months prior to submission:

(A) A copy of an annual statement, prepared in the form prescribed by the NAIC. For an alien insurer, in lieu of an annual statement, a licensee may submit a form as set forth by regulation and as prepared by the insurer, and, if listed by the IID, a copy of the complete information as required in the application for listing by the IID.

(B) A copy of an audited financial report on the insurer's condition that meets the standards of subparagraph (D) for foreign insurers or subparagraph (E) for alien insurers.

(C) If the insurer is an alien:

(i) A certified copy of the trust agreement referenced in subdivision (b).

(ii) A verified copy of the most recent quarterly statement or list of the assets in the trust.

(D) Financial reports filed pursuant to this section by foreign insurers shall conform to the following standards:

(i) Financial documents shall be certified.

(ii) An audited financial report shall constitute a supplement to the insurer's annual statement, as required by the annual statement instructions issued by the NAIC.

(iii) An audited financial report shall be prepared by an independent certified public accountant or accounting firm in good standing with the American Institute of Certified Public Accountants and in all states where licensed to practice; and be prepared in conformity with statutory accounting practices prescribed, or otherwise permitted, by the insurance regulator of the insurer's domiciliary jurisdiction.

(iv) An audited financial report shall include information on the insurer's financial position as of the end of the most recent calendar year, and the results of its operations, cashflows, and changes in capital and surplus for the year then ended.

(v) An audited financial report shall be prepared in a form and using language and groupings substantially the same as the relevant sections of the insurer's annual statement filed with its domiciliary jurisdiction, and presenting comparatively the amounts as of December 31 of the most recent calendar year and the amounts as of December 31 of the preceding year.

(E) Financial reports filed pursuant to this section by alien insurers shall conform to the following standards:

(i) Except as provided in clause (ii) of subparagraph (C), financial documents should be certified. If certification of a financial document is not available, the document shall be verified.

(ii) Financial documents should be expressed in United States dollars, but may be expressed in another currency, if the exchange rate for the other currency as of the date of the document is also provided.

(iii) The responses provided pursuant to subparagraph (A) on the form submitted in lieu of an annual statement should follow the most recent Insurance Solvency International Guide to Alien Reporting Format, "Standard Definitions of Accounting Items." Responses that do not agree with a standard definition shall be fully explained in the form.

(iv) An audited financial report shall be prepared by an independent licensed auditor in the insurer's domiciliary jurisdiction or in any state.

(v) An audited financial report shall be prepared in accord with either (I) Generally Accepted Auditing Standards that prescribe Generally Accepted Accounting Principles, or (II) International Accounting Standards as published and revised from time to time by the International Auditing Guidelines published by the International Auditing Practice Committee of the International Federation of Accountants, and shall include financial statement notes and a summary of significant accounting practices.

(F) The commissioner may accept, in lieu of a document described above, a certified or verified financial or regulatory document, statement, or report if the commissioner finds that it possesses reliability and financial detail substantially equal to or greater than the document for which it is proposed to be a substitute.

(G) If one of the financial documents required to be submitted under subparagraphs (A) and (B) is dated within 12 months of submission, but the other document is not so dated, the licensee may use the outdated document if it is accompanied by a supplement. The supplement must meet the same requirements that apply to the supplemented document and must update the outdated document to a date within the prescribed time period, preferably to the same date as the nonsupplemented document.

(2) A certified copy of the insurer's license issued by its domiciliary jurisdiction, plus a certification of good standing, certificate of compliance, or other equivalent certificate, from either that jurisdiction or, if the jurisdiction does not issue those certificates, from a state where it is licensed.

(3) Information on the insurer's agent in California for service of process, including the agent's full name and address. The agent's address must include a street address where the agent can be reached during normal business hours.

(4) The complete street address, mailing address, and telephone number of the insurer's principal place of business.

(5) A certified or verified explanation, report, or other statement from the insurance regulatory office or official of the insurer's domiciliary jurisdiction concerning the insurer's record regarding market conduct and consumer complaints, or, if that information cannot be obtained from that jurisdiction, then any other information that the licensee can procure to demonstrate a good reputation for payment of claims and treatment of policyholders.

(6) A verified statement, from the insurer or licensee, on whether the insurer or an affiliated entity is currently known to be the subject of an order or proceeding regarding conservation, liquidation, or other receivership; or regarding revocation or suspension of a license to transact insurance in any jurisdiction; or otherwise seeking to stop the insurer from transacting insurance in any jurisdiction. The statement shall identify the proceeding by date, jurisdiction, and relief or sanction sought, and shall attach a copy of the relevant order.

(7) A certified copy of the most recent report of examination or an explanation if the report is not available.

(8) A list of all California surplus line brokers authorized by the insurer to issue policies on its behalf, and any additions to or deletions from that list.

(d) (1) Has provided additional information or documentation required by the commissioner that is relevant to the financial stability, reputation, and integrity of the nonadmitted insurer. In making a determination concerning financial stability, reputation, and integrity of the nonadmitted insurer, the commissioner shall consider any analyses, findings, or conclusions made by the NAIC in its review of the insurer for purposes of inclusion on or exclusion from the list of authorized nonadmitted insurers maintained by the NAIC. The commissioner may, but shall not be required to, rely on, adopt, or otherwise accept any analyses, findings, or conclusions of the NAIC, as the commissioner deems appropriate. In the case of a syndicate seeking eligibility under subparagraph (C) of paragraph (2) of subdivision (a), the commissioner may, but shall not be required to, rely on, adopt, or otherwise accept any analyses, findings, or conclusions of a state, as the commissioner deems appropriate, as long as that state, in its method of regulation and review, meets the requirements of paragraph (2).

(2) The regulatory body of the state shall regularly receive and review the following: (A) an audited financial statement of the syndicate, prepared by a certified or chartered public accountant; (B) an opinion of a qualified actuary with regard to the syndicate's aggregate reserves for payment of losses or claims and payment of expenses of adjustment or settlement of losses or claims; (C) a certification from the qualified United States financial institution that acts as the syndicate's trustee, respecting the existence and value of the syndicate's trust fund; and (D) information concerning the syndicate's or its manager's operating history, business plan, ownership and control, experience, and ability, together with any other pertinent factors, and any information indicating that the syndicate or its manager make reasonably prompt payment of claims in this state or elsewhere. The regulatory body of the state shall have the authority, either by law or through the operation of a valid and enforceable

agreement, to review the syndicate's assets and liabilities and audit the syndicate's trust account, and shall exercise that authority with a frequency and in a manner satisfactory to the commissioner.

(e) Has established that:

(1) All documents required by subdivisions (c) and (d) have been filed. Each of the documents appear after review to be complete, clear, comprehensible, unambiguous, accurate, and consistent.

(2) The documents affirm that the insurer is not subject in any jurisdiction to an order or proceeding that:

(A) Seeks to stop it from transacting insurance.

(B) Relates to conservation, liquidation, or other receivership.

(C) Relates to revocation or suspension of its license.

(3) The documents affirm that the insurer has actively transacted insurance for the three years immediately preceding the filing made under this section, unless an exemption is granted. As used in this paragraph, "insurer" does not include a syndicate of underwriting entities. The commissioner may grant an exemption if the licensee has applied for exemption and demonstrates either of the following:

(A) The insurer meets the condition for any exception set forth in subdivision (a), (b), or (c) of Section 716.

(B) If the insurer has been actively transacting insurance for at least 12 months, and the licensee demonstrates that the exemption is warranted because the insurer's current financial strength, operating history, business plan, ownership and control, management experience, and ability, together with any other pertinent factors, make three years of active insurance transaction unnecessary to establish sufficient reputation.

(4) The documents confirm that the insurer holds a license to issue insurance policies, other than reinsurance, to residents of the jurisdiction that granted the license unless an exemption is granted. The commissioner may grant an exemption if the licensee has applied for an exemption and demonstrates that the exemption is warranted because the insurer proposes to issue in California only commercial coverage, and is wholly owned and actually controlled by substantial and knowledgeable business enterprises that are its policyholders and that effectively govern the insurer's destiny in furtherance of their own business objectives.

(5) The information filed pursuant to paragraph (5) of subdivision (c) or otherwise filed with or available to the commissioner, including reports received from California policyholders, shall indicate that the insurer makes reasonably prompt payment of claims in this state or elsewhere.

(6) The information available to the commissioner shall not indicate that the insurer offers in California a licensee products or rates that violate any provision of this code.

(f) Has been placed on the list of approved surplus line insurers by the commissioner. The commissioner shall establish a list of all surplus line insurers that have met the requirements of subdivisions (a) to (e), inclusive, and shall publish a master list at least semiannually. An insurer receiving approval as an approved surplus line insurer shall be added by addendum to the list at the time of approval, and shall be incorporated into the master list at the next date of publication. If an insurer appears on the most recent list, it shall be presumed that the insurer is an approved surplus line insurer, unless the commissioner or his or her designee has mailed or causes to be mailed notice to all surplus line brokers that the commissioner has withdrawn the insurer's approval. Upon receipt of notice, the surplus line broker shall no longer advertise that the insurer is approved. Nothing in this subdivision shall limit the commissioner's discretion to withdraw an insurer's approval.

(g) (1) Except as provided by paragraph (2), whenever the commissioner has reasonable cause to believe, and determines after a public hearing, that an insurer on the list established pursuant to subdivision (f), (A) is in an unsound financial condition, (B) does not meet the approval requirements under subdivisions (a) to (e), inclusive, (C) has violated the laws of this state, or (D) without justification, or with a frequency so as to indicate a general business practice, delays the payment of just claims, the commissioner may issue an order removing the insurer from the list. Notice of hearing shall be served upon the insurer or its agent for service of process stating the time and place of the hearing and the conduct, condition, or ground upon which the commissioner would make his or her order. The hearing shall occur not less than 20 days, nor more than 30 days, after notice is served upon the insurer or its agent for service of process.

(2) If the commissioner determines that an insurer's immediate removal from the list is necessary to protect the public or a home state insured or home state insured applicant of the insurer, or, in the case of an application by an insurer to be placed on the list that is being denied by the commissioner, the commissioner may issue an order pursuant to paragraph (1) without prior notice and hearing. At the time an order is served pursuant to this paragraph to an insurer on the list, the commissioner shall

also issue and serve upon the insurer a statement of the reasons that immediate removal is necessary. An order issued pursuant to this paragraph shall include a notice stating the time and place of a hearing on the order, which shall be not less than 20 days, nor more than 30 days, after the notice is served.

(3) Notwithstanding paragraphs (1) and (2), in a case where the commissioner is basing a decision to remove an insurer from the list, or deny an application to be placed on the list, on the failure of the insurer or applicant to comply with, meet, or maintain any of the objective criteria established by this section, or by regulation adopted pursuant to this section, the commissioner may specify this fact in the order, and a hearing shall not be required to be held on the order.

(4) Notwithstanding paragraphs (1) and (2), the commissioner may, without prior notice or hearing, remove from the list established pursuant to subdivision (f) an insurer that has failed or refused to timely provide documents required by this section, or regulations adopted to implement this section. In the case of removal pursuant to this paragraph, the commissioner shall notify all surplus line brokers of the action.

(h) In addition to other statements or reports required by this chapter, the commissioner may also address to a licensee a written request for full and complete information respecting the financial stability, reputation, and integrity of a nonadmitted insurer with whom the licensee has dealt or proposes to deal in the transaction of insurance business with a home state insured. The licensee so addressed shall promptly furnish in written or printed form so much of the information requested as he or she can produce, together with a signed statement identifying the same and giving reasons for omissions, if any. After due examination of the information and accompanying statement, the commissioner may, if he or she believes it to be in the public interest, advise the licensee in writing that the insurer does not qualify as an approved insurer. Any placement in the nonadmitted insurer made by a licensee after receipt of that advisement shall be accompanied by a copy of the advisement. The commissioner may issue an advisement when documents submitted pursuant to subdivisions (c) and (d) do not meet the criteria of subdivisions (a) to (e), inclusive, or when the commissioner obtains documents on an insurer and the insurer does not meet the criteria of subdivisions (a) to (e), inclusive, and shall be authorized to not include or remove that insurer from the List of Approved Surplus Line Insurers.

(i) The commissioner shall require, at least annually, the submission of records and statements reasonably necessary to ensure that the requirements of this section are maintained.

(j) The schedule of fees to cover the costs of administering and enforcing this chapter are as follows:

(1) Initial application, six thousand one hundred thirteen dollars ($6,113).

(2) Renewal application, three thousand fifty-seven dollars ($3,057).

(3) Financial update, three hundred forty-one dollars ($341).

(4) Nonfinancial update, fifty dollars ($50).

SEC. 48. Section 1781.3 of the Insurance Code is amended to read:

1781.3. (a) No person, firm, association, or corporation shall act as a reinsurance intermediary-broker in this state unless licensed as follows:

(1) If the reinsurance intermediary-broker maintains an office, (either directly or as a member or employee of a firm or association, or an officer, director, or employee of a corporation) in this state, the reinsurance intermediary-broker shall be a licensed producer in this state.

(2) If the reinsurance intermediary-broker does not maintain an office in this state, the reinsurance intermediary-broker shall be a licensed producer in this state or another state having a law substantially similar to this chapter or shall be licensed in this state as a nonresident reinsurance intermediary.

(3) Unless denied licensure pursuant to subdivision (e), a nonresident person shall receive a reinsurance intermediary-broker license if all of the following requirements are met:

(A) The person is currently licensed and in good standing in the state, territory of the United States, or province of Canada where he or she is licensed as a resident reinsurance intermediary-broker.

(B) The person has submitted the proper request for licensure and has paid the fees required by paragraph (3) of subdivision (d).

(C) The person has submitted or transmitted to the commissioner the application for licensure that the person submitted to the state, territory of the United States, or province of Canada where he or she is licensed as a resident, or submitted or transmitted to the commissioner a completed National Association of Insurance Commissioners Uniform Nonresident Application.

(D) The state, territory of the United States, or province of Canada where the person holds a resident reinsurance intermediary-broker license awards nonresident reinsurance intermediary-broker licenses to residents of this state on the same basis.

(b) A person, firm, association, or corporation shall not act as a reinsurance intermediary-manager:

(1) For a reinsurer domiciled in this state, unless the reinsurance intermediary-manager is a licensed producer in this state.

(2) In this state, if the reinsurance intermediary-manager maintains an office either directly or as a member or employee of a firm or association, or as an officer, director, or employee of a corporation in this state, unless the reinsurance intermediary-manager is a licensed producer in this state.

(3) In another state for a nondomestic admitted insurer, unless the reinsurance intermediary-manager is a licensed producer in this state or in another state having a law substantially similar to this chapter or the person is licensed in this state as a nonresident reinsurance intermediary.

(4) Unless denied licensure pursuant to subdivision (e), a nonresident person shall receive a reinsurance intermediary-manager license if all of the following requirements are met:

(A) The person is currently licensed and in good standing in the state, territory of the United States, or province of Canada where he or she is licensed as a resident reinsurance intermediary-manager.

(B) The person has submitted the proper request for licensure and has paid the fees required by paragraph (3) of subdivision (d).

(C) The person has submitted or transmitted to the commissioner the application for licensure that the person submitted to the state, territory of the United States, or province of Canada where he or she is licensed as a resident, or submitted or transmitted to the commissioner a completed National Association of Insurance Commissioners Uniform Nonresident Application.

(D) The state, territory of the United States, or province of Canada where the person holds a resident reinsurance intermediary-manager license awards nonresident reinsurance intermediary-manager licenses to residents of this state on the same basis.

(c) The commissioner may require a reinsurance intermediary-manager subject to subdivision (b) to do both of the following:

(1) File a fidelity bond issued by an admitted surety in an amount determined by the commissioner for the protection of the reinsurer.

(2) Maintain an errors and omissions policy in an amount acceptable to the commissioner.

(d) (1) The commissioner may issue a reinsurance intermediary license to any person, firm, association, or corporation that has complied with the applicable requirements of this chapter. This license, when issued to a firm or association, authorizes all the members of the firm or association and any designated employees to act as reinsurance intermediaries under the license, and all these persons shall be named in the application and any supplements thereto. This license, when issued to a corporation, authorizes all of the officers, and any designated employees and directors thereof to act as reinsurance intermediaries on behalf of the corporation, and all these persons shall be named in the application and any supplements thereto.

(2) Any application for licensure as a reinsurance intermediary under this subdivision shall be made on a form prescribed by the commissioner and shall be accompanied by an application fee of three hundred seventy-four dollars ($374).

(e) The commissioner may refuse to issue a reinsurance intermediary license if, in his or her judgment, the applicant, any person named on the application, or any member, principal, officer, or director of the applicant, is determined by the commissioner not to be trustworthy, or that any controlling person of the applicant is not trustworthy to act as a reinsurance intermediary, or that any of the foregoing has given cause for revocation or suspension of a reinsurance intermediary license, or has failed to comply with any prerequisite for the issuance of a license. Upon written request therefor, the commissioner shall furnish the applicant with a summary of the basis for refusal to issue a reinsurance intermediary license, which document shall not be subject to inspection as a public record.

(f) Licensed attorneys at law when acting in their professional capacity as such shall be exempt from this section.

(g) A reinsurance intermediary-manager, when acting in that capacity and in compliance with this chapter, shall not be required to separately comply with Article 5.4 (commencing with Section 769.80) of Chapter 1 (if added by Senate Bill 1039 of the 1991–92 Regular Session) in order to engage in conduct authorized by both this chapter and that article.

SEC. 49. Section 1811 of the Insurance Code is amended to read:

1811. For his or her services in connection with the filing of any application or request for any license under this chapter, the commissioner shall charge and collect the following fees:

(a) For filing an application or request for bail agent's license, two hundred eighty-three dollars ($283) per year.

(b) For filing an application or request for bail solicitor's license, two hundred eighty-three dollars ($283) per year.

(c) For filing an application or request for bail permittee's license, five hundred sixty-seven dollars ($567).

(d) For filing an application for examination, or reexamination, fifty-six dollars ($56).

(e) For a renewal application, a fee of eighty-five dollars ($85) per year. In the case of a bail agent with more than one valid notice of appointment on file, the fee to be charged pursuant to this subdivision shall be the fee provided herein multiplied by the number of insurers whose valid appointments are on file on the date the document is filed unless the bail agent in that document advises the commissioner of his or her intent to terminate the appointment of one or more of those insurers, in which event the fee shall be based upon the number for insurers remaining.

(f) For a bail solicitor's renewal application, a fee of eighty-five dollars ($85) per year.

(g) For a bail permittee's renewal application, a fee of three hundred fifty-eight dollars ($358) per year.

(h) At the time of filing an application for a license, if a qualifying examination is required for issue or in connection with the license, the fee for filing the first application to take the qualifying examination shall be paid at the time of filing application for the license.

(i) For filing application or request for approval of a true or fictitious name pursuant to Section 1724.5, twenty-nine dollars ($29), except that there shall be no fee when the name is contained in an original application.

(j) For filing a bond required by this chapter, except when the bond constitutes part of an original application, twenty-five dollars ($25).

(k) For filing a first amendment to an application, fourteen dollars ($14).

(l) For filing a second and each subsequent amendment to an application, twenty-nine dollars ($29).

SEC. 50. Section 1842 of the Insurance Code is amended to read:

1842. (a) The provisions of Chapter 5 (commencing with Section 1621) concerning the license period and the procedure and time for filing applications for renewal of licenses and for filing notices of intention to keep licenses in force applicable to life agents are applicable to licenses authorized by this chapter except that participation in the applications or notices by an admitted insurer is not required.

(b) The fee for filing an application for the issuance or renewal of a license to act as a life and disability insurance analyst or a notice of intention to keep the license in force is two hundred eighty-three dollars ($283). As respects life and disability insurance analysts all references in Section 1718 to fees shall be deemed to be this fee. The fee for filing application to take the qualifying examination for life and disability insurance analyst is one hundred forty-one dollars ($141) and the fee for filing the first application to take the qualifying examination must be paid at the same time the application for issuance of the license is paid. The fees specified in this section shall be paid in advance, and shall be determined by multiplying the number of natural persons to be licensed, or to be named on or added to a license, by the amounts specified in this section as to each license, multiplied by the number of license years in the period of the license applied for, or the remaining period of the existing license counting any initial fractional license year of the period as one year for that purpose.

SEC. 51. Section 4030 of the Insurance Code is amended to read:

4030. A domestic mutual insurer shall not hereafter make any contract whereby any person is granted or is to enjoy in fact the management of the insurer to the substantial exclusion of its board of directors or to have the controlling or preemptive right to produce substantially all insurance business for the insurer, unless the contract is filed with and approved by the commissioner. That contract shall not be effective unless and until approved by the insurance commissioner. That approval shall be obtained by filing application for approval with the commissioner accompanied by a one-hundred-fifty-dollar ($150) fee. Any disapproval shall be delivered to the insurer in writing, stating the grounds therefor.

SEC. 52. Section 4060 of the Insurance Code is amended to read:

4060. A domestic mutual insurer while maintaining unimpaired surplus funds not less in amount than one and one-half times the minimum paid-in capital stock required of a domestic stock insurer formed under this code for authority to transact the same class or classes of insurance, may, upon receipt of the commissioner's certificate so authorizing, extinguish the contingent liability to assessment of its members as to all its policies in force and may omit provisions imposing contingent liability in all policies currently issued. A fee of two hundred eighty-three dollars ($283) shall accompany any application for that certificate.

SEC. 53. Section 4093 of the Insurance Code is amended to read:

4093. If the vote is in the affirmative, a certified copy of all proceedings relating to the proposed transaction shall be filed with the commissioner. If one of the insurers that is a party to the transaction is a foreign corporation there shall also be filed with the commissioner evidence of an approval, consent, or authorization as may be required by the laws of the state of incorporation of the foreign insurer. If the commissioner finds that the proceedings have been in accordance with the law and the commissioner's requirements, he or she shall issue a certificate approving the plan and agreement and the transaction shall become effective when the certificate, the agreement, and any other documents required by law have been filed with the Secretary of State.

The fee for issuing the certificate approving the transaction shall be six thousand three hundred fifty dollars ($6,350), payable in advance with the filing with the commissioner of the first papers relating to the proposed transaction; eight dollars ($8) shall be charged for each signed and sealed or certified copy thereof issued as part of the same transaction in which the original certificate is issued.

SEC. 54. Section 5051 of the Insurance Code is amended to read:

5051. Upon the payment in advance of seven thousand fifty-five dollars ($7,055) to the commissioner for all services to be rendered by him or her in the matter of organization of the insurer, those persons shall file with the commissioner a declaration of their intention to incorporate for the purposes expressed in Section 5050. The declaration shall be signed by all of those persons, and shall contain a copy of the articles of incorporation proposed to be adopted.

SEC. 55. Section 7015.5 of the Insurance Code is amended to read:

7015.5. The commissioner shall charge and collect in advance a fee of one hundred seventy-seven dollars ($177) for issuing a certificate under this article, or for reissuing and amending or changing an obsolete certificate at the request of an insurer.

SEC. 56. Section 7042 of the Insurance Code is amended to read:

7042. If the vote is in the affirmative a certified copy of all proceedings relating to the proposed merger shall be filed with the commissioner. If the commissioner finds that the proceedings have been in accordance with the law and his or her requirements, he or she shall issue his or her certificate approving the plan and agreement and the merger shall become effective when the certificate, the agreement, and any other documents required by law have been filed with the Secretary of State.

The fee for issuing a certificate approving the merger shall be three hundred nine dollars ($309) for the original certificate, payable in advance, with the filing of the first merger papers with the commissioner; and nine dollars ($9) shall be charged for each signed and sealed or certified copy thereof issued as part of the same transaction in which the original certificate is issued.

SEC. 57. Section 7045 of the Insurance Code is amended to read:

7045. The board of directors of any county mutual fire insurer that desires to commence proceedings for transformation of that insurer to a general mutual insurer shall adopt a resolution to that effect and submit to the commissioner a plan for effecting that transformation accompanied by an application for approval thereof and a fee of four hundred ninety-four dollars ($494).

SEC. 58. Section 9098 of the Insurance Code is amended to read:

9098. The plan and agreement by which any transaction permitted by Section 9097 is to be effected shall be approved by the board of directors or other governing body of that organization or association and submitted to the commissioner accompanied by an application for approval thereof and a fee of four hundred ninety-four dollars ($494).

SEC. 59. Section 10113.2 of the Insurance Code is amended to read:

10113.2. (a) This section applies to any person entering into, brokering, or soliciting life settlements pursuant to this section and Sections 10113.1 and 10113.3.

(b) (1) Except as provided in subparagraph (B) or (D), a person may not enter into, broker, or solicit life settlements pursuant to Section 10113.1 unless that person has been licensed by the commissioner under this section. The person shall file an application for a license in the form prescribed by the commissioner, and the application shall be accompanied by a fee of one hundred seventy-one dollars ($171). The annual license renewal fee shall be one hundred seventy-one dollars ($171). The applicant shall provide any information the commissioner may require. The commissioner may issue a license, or deny the application if, in his or her discretion, it is determined that it is contrary to the interests of the public to issue a license to the applicant. The reasons for a denial shall be set forth in writing.

(A) An individual acting as a broker under this section shall complete at least 15 hours of continuing education related to life settlements and life settlement transactions, as required and approved by the commissioner, prior to operating as a broker. This requirement shall not apply to a life insurance producer who qualifies under subparagraph (D).

(B) A person licensed as an attorney, certified public accountant, or financial planner accredited by a nationally recognized accreditation agency, who is retained to represent the owner, and whose compensation is not paid directly or indirectly by the provider or purchaser, may negotiate a life settlement contract on behalf of the owner without having to obtain a license as a broker.

(C) A person licensed to act as a viatical settlement broker or provider as of December 31, 2009, shall be deemed qualified for licensure as a life settlement broker or provider, and shall be subject to all the provisions of this article as if the person were originally licensed as a life settlement broker or provider.

(D) (i) A life insurance producer who has been duly licensed as a life agent for at least one year or as a licensed nonresident producer in this state for one year shall be deemed to meet the licensing requirements of this section and shall be permitted to operate as a broker.

(ii) Not later than 10 days from the first day of operating as a broker, the life insurance producer shall notify the commissioner that he or she is acting as a broker, on a form prescribed by the commissioner, and shall pay a fee of eighty-five dollars ($85).

(iii) The fee shall be paid by the life insurance producer for each license term the producer intends to operate as a broker. The fee shall be calculated pursuant to Section 1750. The notification to the commissioner shall include an acknowledgment by the life insurance producer that he or she will operate as a broker in accordance with this act.

(iv) The insurer that issued the policy that is the subject of a life settlement contract shall not be responsible for any act or omission of a broker or provider arising out of, or in connection with, the life settlement transaction, unless the insurer receives compensation for the replacement of the life settlement contract for the provider or broker.

(E) The commissioner shall review the examination for the licensing of life insurance agents and may recommend any changes to the examination to the department’s curriculum committee in order to carry out the purposes of this section and Sections 10113.1 and 10113.3.

(2) Whenever it appears to the commissioner that it is contrary to the interests of the public for a person licensed pursuant to this section to continue to transact life settlements business, he or she shall issue a notice to the licensee stating the reasons therefor. If, after a hearing, the commissioner concludes that it is contrary to the interests of the public for the licensee to continue to transact life settlements business, he or she may revoke the person’s license, or issue an order suspending the license for a period as determined by the commissioner. Any hearing conducted pursuant to this paragraph shall be in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, except that the hearing may be conducted by administrative law judges chosen pursuant to Section 11502 or appointed by the commissioner, and the commissioner shall have the powers granted therein.

(3) Each licensee shall owe and pay in advance to the commissioner an annual renewal fee in an amount to be determined by the commissioner pursuant to paragraph (1) of subdivision (b). This fee shall be for each license year, as defined by Section 1629.

(4) Any licensee that intends to discontinue transacting life settlements in this state shall so notify the commissioner, and shall surrender its license.

(c) A life settlements licensee shall file with the department a copy of all life settlement forms used in this state. A licensee may not use any life settlement form in this state unless it has been provided in advance to the commissioner. The commissioner may disapprove a life settlement form if, in his or her discretion, the form, or provisions contained therein, are contrary to the interests of the public, or otherwise misleading or unfair to the consumer. In the case of disapproval, the licensee may, within 15 days of notice of the disapproval, request a hearing before the commissioner or his or her designee, and the hearing shall be held within 30 days of the request.

(d) Life settlements licensees shall be required to provide any applicant for a life settlement contract, at the time of application for the life settlement contract, all of the following disclosures in writing and signed by the owner, in at least 12-point type:

(1) That there are possible alternatives to life settlements, including, but not limited to, accelerated benefits options that may be offered by the life insurer.

(2) The fact that some or all of the proceeds of a life settlement may be taxable and that assistance should be sought from a professional tax adviser.

(3) Consequences for interruption of public assistance as provided by information provided by the State Department of Health Care Services and the State Department of Social Services under Section 11022 of the Welfare and Institutions Code.

(4) That the proceeds from a life settlement could be subject to the claims of creditors.

(5) That entering into a life settlement contract may cause other rights or benefits, including conversion rights and waiver of premium benefits that may exist under the policy or certificate of a group policy to be forfeited by the owner and that assistance should be sought from a professional financial adviser.

(6) That a change in ownership of the settled policy could limit the insured's ability to purchase insurance in the future on the insured's life because there is a limit to how much coverage insurers will issue on one life.

(7) That the owner has a right to rescind a life settlement contract within 30 days of the date it is executed by all parties and the owner has received all required disclosures, or 15 days from receipt by the owner of the proceeds of the settlement, whichever is sooner. Rescission, if exercised by the owner, is effective only if both notice of rescission is given and the owner repays all proceeds and any premiums, loans, and loan interest paid on account of the provider within the rescission period. If the insured dies during the rescission period, the contract shall be deemed to have been rescinded subject to repayment by the owner or the owner's estate of all proceeds and any premiums, loans, and loan interest to the provider.

(8) That proceeds will be sent to the owner within three business days after the provider has received the insurer or group administrator's acknowledgment that ownership of the policy or the interest in the certificate has been transferred and the beneficiary has been designated in accordance with the terms of the life settlement contract.

(9) The date by which the funds will be available to the owner and the transmitter of the funds.

(10) The disclosure document shall include the following language:

"All medical, financial, or personal information solicited or obtained by a provider or broker about an insured, including the insured's identity or the identity of family members, a spouse, or a significant other may be disclosed as necessary to effect the life settlement contract between the owner and provider. If you are asked to provide this information, you will be asked to consent to the disclosure. The information may be provided to someone who buys the policy or provides funds for the purchase. You may be asked to renew your permission to share information every two years."

(11) That the insured may be contacted by either the provider or the broker or its authorized representative for the purpose of determining the insured's health status or to verify the insured's address. This contact is limited to once every three months if the insured has a life expectancy of more than one year, and no more than once per month if the insured has a life expectancy of one year or less.

(12) Any affiliations or contractual relations between the provider and the broker, and the affiliation, if any, between the provider and the issuer of the policy to be settled.

(13) That a broker represents exclusively the owner, and not the insurer or the provider or any other person, and owes a fiduciary duty to the owner, including a duty to act according to the owner's instructions and in the best interest of the owner.

(14) The name, business address, and telephone number of the broker.

(e) Prior to the execution of the life settlement contract by all parties, the life settlement provider entering into a life settlement contract with the owner shall provide, in a document signed by the owner, the gross purchase price the life settlement provider is paying for the policy, the amount of the purchase price to be paid to the owner, the amount of the purchase price to be paid to the owner's life settlement broker, and the name, business address, and telephone number of the life settlement broker. For purposes of this section, "gross purchase price" means the total amount or value paid by the provider for the purchase of one or more life insurance policies, including commissions and fees.

(f) The broker shall provide the owner and the insured with at least all of the following disclosures in writing prior to the signing of the life settlement contract by all parties. The disclosures shall be clearly displayed in the life settlement contract or in a separate document signed by the owner:

(1) The name, business address, and telephone number of the broker.

(2) A full, complete, and accurate description of all of the offers, counteroffers, acceptances, and rejections relating to the proposed life settlement contract.

(3) A disclosure of any affiliations or contractual arrangements between the broker and any person making an offer in connection with the proposed life settlement contract.

(4) All estimates of the life expectancy of the insured that are obtained by the licensee in connection with the life settlement, unless that disclosure would violate any California or federal privacy laws.

(5) The commissioner may consider any failure to provide the disclosures or rights described in this section as a basis for suspending or revoking a broker's or provider's license pursuant to paragraph (2) of subdivision (b).

(g) All medical information solicited or obtained by any person soliciting or entering into a life settlement is subject to Article 6.6 (commencing with Section 791) of Chapter 1 of Part 2 of Division 1, concerning confidentiality of medical information.

(h) Except as otherwise allowed or required by law, a provider, broker, insurance company, insurance producer, information bureau, rating agency, or company, or any other person with actual knowledge of an insured's identity shall not disclose the identity of an insured or information that there is a reasonable basis to believe that could be used to identify the insured or the insured's financial or medical information to any other person unless the disclosure is one of the following:

(1) It is necessary to effect a life settlement contract between the owner and a provider and the owner and insured have provided prior written consent to the disclosure.

(2) It is necessary to effectuate the sale of life settlement contracts, or interests therein, as investments, provided the sale is conducted in accordance with applicable state and federal securities law and provided further that the owner and the insured have both provided prior written consent to the disclosure.

(3) It is provided in response to an investigation or examination by the commissioner or any other governmental officer or agency or any other provision of law.

(4) It is a term or condition to the transfer of a policy by one provider to another provider, in which case the receiving provider shall be required to comply with the confidentiality requirements of Article 6.6 (commencing with Section 791) of Chapter 1 of Part 2 of Division 1.

(5) It is necessary to allow the provider or broker or their authorized representatives to make contacts for the purpose of determining health status. For the purposes of this section, the term "authorized representative" shall not include any person who has or may have any financial interest in the settlement contract other than a provider, licensed broker; further, a provider or broker shall require its authorized representative to agree in writing to adhere to the privacy provisions of this act.

(6) It is required to purchase stop loss coverage.

(i) In addition to other questions an insurance carrier may lawfully pose to a life insurance applicant, insurance carriers may inquire in the application for insurance whether the proposed owner intends to pay premiums with the assistance of financing from a lender that will use the policy as collateral to support the financing.

(1) If the premium finance loan provides funds that can be used for a purpose other than paying for the premiums, costs, and expenses associated with obtaining and maintaining the life insurance policy and loan, the application may be rejected as a prohibited practice under this act.

(2) If the financing does not violate paragraph (1), the existence of premium financing may not be the sole criterion employed by an insurer in a decision whether to reject an application for life insurance. The insurance carrier may make disclosures to the applicant, either on the application or an amendment to the application to be completed no later than the delivery of the policy, including, but not limited to, the following:

"If you have entered into a loan arrangement where the policy is used as collateral, and the policy changes ownership at some point in the future in satisfaction of the loan, the following may be true:

"(A) A change of ownership could lead to a stranger owning an interest in the insured's life.

“(B) A change of ownership could in the future limit your ability to purchase insurance on the insured’s life because there is a limit to how much coverage insurers will issue on a life.

“(C) You should consult a professional adviser since a change in ownership in satisfaction of the loan may result in tax consequences to the owner, depending on the structure of the loan.”

(3) In addition to the disclosures in paragraph (2), the insurance carrier may require the following certifications from the applicant or the insured:

“(A) I have not entered into any agreement or arrangement under which I have agreed to make a future sale of this life insurance policy.

“(B) My loan arrangement for this policy provides funds sufficient to pay for some or all of the premiums, costs, and expenses associated with obtaining and maintaining my life insurance policy, but I have not entered into any agreement by which I am to receive consideration in exchange for procuring this policy.

“(C) The borrower has an insurable interest in the insured.”

(j) Life insurers shall provide individual life insurance policyholders with a statement informing them that if they are considering making changes in the status of their policy, they should consult with a licensed insurance or financial adviser. The statement may accompany or be included in notices or mailings otherwise provided to the policyholders.

(k) The commissioner may, whenever he or she deems it reasonably necessary to protect the interests of the public, examine the business and affairs of any licensee or applicant for a license. The commissioner shall have the authority to order any licensee or applicant to produce any records, books, files, or other information as is reasonably necessary to ascertain whether or not the licensee or applicant is acting or has acted in violation of the law or otherwise contrary to the interests of the public. The expenses incurred in conducting any examination shall be paid by the licensee or applicant.

(l) The commissioner may investigate the conduct of any licensee, its officers, employees, agents, or any other person involved in the business of the licensee, or any applicant for a license, whenever the commissioner has reason to believe that the licensee or applicant for a license may have acted, or may be acting, in violation of the law, or otherwise contrary to the interests of the public. The commissioner may initiate an investigation on his or her own, or upon a complaint filed by any other person.

(m) The commissioner may issue orders to licensees whenever he or she determines that it is reasonably necessary to ensure or obtain compliance with this section, or Section 10113.3. This authority includes, but is not limited to, orders directing a licensee to cease and desist in any practice that is in violation of this section, or Section 10113.3, or otherwise contrary to the interests of the public. Any licensee to which an order pursuant to this subdivision is issued may, within 15 days of receipt of that order, request a hearing at which the licensee may challenge the order.

(n) The commissioner may, after notice and a hearing at which it is determined that a licensee has violated this section or Section 10113.3 or any order issued pursuant to this section, order the licensee to pay a monetary penalty of up to ten thousand dollars ($10,000), which may be recovered in a civil action. Any hearing conducted pursuant to this subdivision shall be in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, except that the hearing may be conducted by administrative law judges chosen pursuant to Section 11502 or appointed by the commissioner, and the commissioner shall have the powers granted therein.

(o) Each licensed provider shall file with the commissioner on or before March 1 of each year an annual statement in the form prescribed by the commissioner. The information that the commissioner may require in the annual statement shall include, but not be limited to, the total number, aggregate face amount, and life settlement proceeds of policies settled during the immediately preceding calendar year, together with a breakdown of the information by policy issue year. The annual statement shall also include the names of the insurance companies whose policies have been settled and the brokers that have settled those policies, and that information shall be received in confidence within the meaning of subdivision (d) of Section 6254 of the Government Code and exempt from disclosure pursuant to the Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code). The annual statement shall not include individual transaction data regarding the business of life settlements or information that there is a reasonable basis to believe could be used to identify the owner or the insured.

(p) A person who is not a resident of California may not receive or maintain a license unless a written designation of an agent for service of process is filed and maintained with the commissioner. The provisions of Article 3 (commencing with Section 1600) of Chapter 4 of Part 2 of Division 1 shall apply to life settlements licensees as if they were foreign insurers, their license a certificate

of authority, and the life settlements a policy, and the commissioner may modify the agreement set forth in Section 1604 accordingly.

(q) A person licensed pursuant to this section shall not engage in any false or misleading advertising, solicitation, or practice. In no case shall a broker or provider, directly or indirectly, market, advertise, solicit, or otherwise promote the purchase of a new policy for the sole purpose of or with a primary emphasis on settling the policy or use the words “free,” “no cost,” or words of similar import in the marketing, advertising, soliciting, or otherwise promoting of the purchase of a policy. The provisions of Article 6 (commencing with Section 780) and Article 6.5 (commencing with Section 790) of Chapter 1 of Part 2 of Division 1 shall apply to life settlements licensees as if they were insurers, their license a certificate of authority or producer’s license, and the life settlements a policy, and the commissioner shall liberally construe these provisions so as to protect the interests of the public.

(r) Any person who enters into a life settlement with a life settlements licensee shall have the absolute right to rescind the settlement within 30 days of the date it is executed by all parties and the owner has received all required disclosures, or 15 days from receipt by the owner of the proceeds of the settlement, whichever is sooner, and any waiver or settlement language contrary to this subdivision shall be void. Rescission, if exercised by the owner, is effective only if both notice of rescission is given and the owner repays all proceeds and any premiums, loans, and loan interest paid on account of the provider within the rescission period. If the insured dies during the rescission period, the contract shall be deemed to have been rescinded subject to repayment by the owner or the owner’s estate of all proceeds and any premiums, loans, and loan interest to the provider.

(s) Records of all consummated transactions and life settlement contracts shall be maintained by the provider for three years after the death of the insured and shall be available to the commissioner for inspection during reasonable business hours.

(t) A violation of this section is a misdemeanor.

SEC. 60. Section 10479.5 of the Insurance Code is amended to read:

10479.5. When the commissioner has valued the reserve liabilities of an insurer as provided by this article, he or she may upon request of the insurer issue his or her official certificate or certificates describing the reserve liability and the valuation thereof as he or she has determined. For issuing an original certificate, the commissioner shall require, in advance, a fee of forty-seven dollars ($47), plus the actual cost to the department of making the valuation on which the certificate is based including, but not limited to, the aggregate salaries computed on an hourly basis for the time actually spent thereon by all of the department personnel.

SEC. 61. Section 10493 of the Insurance Code is amended to read:

10493. Any incorporated or unincorporated benefit and relief association organized before January 15, 1951, may procure a certificate of exemption from the commissioner if it complies with all of the following:

(a) All of the other requirements of this article.

(b) As respects life or disability or life and disability insurance transacted by it, it is of an entirely nonprofit nature.

(c) Any one of the following requirements as to membership and purpose:

(1) It is composed of and its membership limited to the appointive officers, employees, and pupils of a public school district or of the appointive officers, employees, and pupils of any private school.

(2) It is composed of and its membership limited to the appointive officers and employees of a municipal playground system, or the systems of two or more municipalities united in a league, federation, or other association for the purpose of promoting intercity competitions or other activities, or the participants in dancing, recreational, sporting, educational, social or theatrical activities sponsored or directed by that system or systems and carried on through the use of any of the facilities of that system or systems.

(3) Its membership in this state is 1,000 or more and it is either an organization of a purely religious or benevolent character or its membership is limited to the members of that organization.

(4) It is composed of and its membership is limited to the members of another organization and that other organization is of a purely religious or benevolent character and has a total membership in this state of not less than 1,000.

(5) It is a domestic organization, lodge, society, or order that prior to September 19, 1947, provided life or disability benefits or both of those benefits to its members and is both of the following:

(A) It is of a charitable, benevolent, or beneficent character or becomes so within one year from September 4, 1951, and in both instances is thereafter of that character.

(B) It operates in a manner so that the payment of the benefits even though it be one of the express purposes of that organization, lodge, or order, is as a matter of fact incidental to its charitable benevolent, or beneficent purposes or within one year from September 4, 1951, operates in that manner and in both instances thereafter operates in that manner.

(6) Officers and employees of a common employer, and related dependents of those officers and employees, comprising spouses and dependent children who are not married or in registered domestic partnerships and are under 19 years of age, and living in the same household.

(d) Pays a filing fee in the amount of one thousand six hundred ninety-three dollars ($1,693).

SEC. 62. Section 10506.1 of the Insurance Code is amended to read:

10506.1. The commissioner shall require the payment of two thousand eight hundred twenty-three dollars ($2,823), as a fee for the determination of qualification required by Section 10506. Upon completion of the determination of qualification, and, whether authorization to issue contracts providing variable benefits is granted or denied, the commissioner shall require the payment by domestic insurers of those additional amounts from the requesting domestic insurer as may be necessary to defray all administrative costs in excess of eight hundred forty-nine dollars ($849) incurred by the commissioner in making that determination.

SEC. 63. Section 10506.2 of the Insurance Code is amended to read:

10506.2. (a) The commissioner shall require the payment in advance of two thousand eight hundred twenty-three dollars ($2,823), as a fee for the examination and analysis of documents required by law to be filed with the commissioner by domestic or foreign insurers in connection with changes to an application and qualification to write variable contracts.

(b) The commissioner shall require the payment in advance of seven hundred twenty-six dollars ($726), as a fee for the review, examination, and analysis of documents required to be filed by insurers issuing variable life insurance policies.

(c) The commissioner shall require the payment in advance of three thousand six hundred eighteen dollars ($3,618), as a fee for the examination and analysis involved in approving transfers of assets pursuant to subdivision (f) of Section 10506.

SEC. 64. Section 10507.1 of the Insurance Code is amended to read:

10507.1. The commissioner shall require the payment of three hundred seventy-four dollars ($374), as a fee for the determination of qualification required by Section 10507. Upon completion of the determination of qualification, and whether authorization to issue policies providing investment return benefits is granted or denied, the commissioner shall require the payment of those additional amounts from the requesting insurer as may be necessary to defray all administrative costs in excess of three hundred seventy-four dollars ($374) incurred by the commissioner in making that determination.

SEC. 65. Section 11019 of the Insurance Code is amended to read:

11019. A domestic society shall not consolidate or merge with any other society unless it files with the commissioner the papers and evidence specified in this section and pays the sum of three hundred eighty-six dollars ($386) to the commissioner in advance as a filing fee therefor. The papers and evidence herein required to be filed with the commissioner in that instance are:

(a) A certified copy of the written contract containing in full the terms and conditions of the consolidation or merger;

(b) A sworn statement by the president and secretary or corresponding officers of each society showing the financial condition thereof on a date not earlier than December 31, next preceding the date of the contract;

(c) A certificate of those officers, duly verified by their respective oaths, that the consolidation or merger has been approved by a two-thirds vote of the supreme legislative or governing body of each society; and

(d) Evidence that at least 60 days prior to the action of the supreme legislative or governing body of each society, the text of the contract has been furnished to all members of the society by being sent by mail or by being published in full in the official organ of the society and the issue containing the text of the contract being mailed to each member of the society.

SEC. 66. Section 11090 of the Insurance Code is amended to read:

11090. Subject to the annual fee provisions as provided herein, every certificate of authority issued to a fraternal benefit society shall be for an indefinite term and shall expire with the expiration or termination of the corporate existence of the holder thereof unless sooner revoked by the commissioner. The commissioner shall require the payment of seven thousand fifty-five dollars ($7,055), in advance, as a fee for filing an application for each original certificate of authority authorizing any fraternal benefit

society to transact insurance in this state. Each society possessing a certificate of authority of indefinite term shall owe and pay an annual fee of four hundred twenty-four dollars ($424), in advance, on account of that certificate until its final expiration or revocation. That fee shall be for annual periods commencing on July 1 of each year, and ending on June 30 of each year, and shall be due on each March 1 and shall be delinquent on and after each April 1. A duly certified copy or duplicate of the certificate of authority shall be prima facie evidence that the holder is a fraternal benefit society within the meaning of this chapter.

SEC. 67. Section 11401 of the Insurance Code is amended to read:

11401. An association shall not operate or do business in this state without a certificate of authority. The commissioner shall issue a certificate of authority to any association unless he or she determines, after examination, that it does not comply with the provisions of this chapter. The filing fee for the application for the certificate of authority shall be one thousand four hundred ten dollars ($1,410).

SEC. 68. Section 11520.5 of the Insurance Code is amended to read:

11520.5. A person shall not transact in this state the business described in this chapter without first procuring a certificate of authority from the commissioner for that purpose. Application for that certificate shall be made on a form prescribed by the commissioner accompanied by a filing fee of four thousand two hundred thirty-three dollars ($4,233). The certificate shall not be granted until the applicant conforms to the requirements of this chapter and the laws of this state prerequisite to its issue. After the issuance, the holder shall continue to comply with the requirements of this chapter and the laws of this state. When a hearing is held under this section the proceedings shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the commissioner shall have all of the powers granted therein.

Subject to the annual fee provisions herein, every certificate of authority issued or held under this chapter shall be for an indefinite term and, unless sooner revoked by the commissioner, shall terminate upon occurrence of any of the following:

(a) Upon the holder’s ceasing to exist as a separate entity.

(b) Upon the winding up or dissolution, or expiration or forfeiture of the corporate existence of a corporate holder thereof.

(c) Upon winding up or dissolution of a holder not a corporation.

(d) In any event upon surrender by the holder of its certificate of authority and cancellation of the same by the commissioner.

The commissioner shall not cancel a surrendered certificate of authority until he or she is satisfied by examination, or otherwise, that the former holder has discharged its annuity liabilities to residents of this state or satisfactorily reinsured the same.

Notwithstanding the preceding provisions for a certificate of authority of indefinite term, each holder of a certificate of authority under this chapter shall owe and pay in advance to the commissioner an annual fee of one hundred thirty-six dollars ($136), on account of a certificate of authority until its final termination or revocation. The fee shall be for annual periods commencing on July 1 of each year and ending on June 30 of each year and shall be due on each March 1 and shall be delinquent on and after each April 1.

Each holder of a certificate of authority shall also be subject to the payment in advance of the following fees, as appropriate:

(1) Two hundred eighty-three dollars ($283) for each amended certificate of authority caused by a change of the name of the holder.

(2) Two hundred twelve dollars ($212) for the services and expenses of the commissioner in connection with the filing of amended articles by a holder.

(3) Eight hundred forty-nine dollars ($849) for all services and expenses of the commissioner in connection with the withdrawal of a holder of a certificate of authority under this chapter.

(e) Upon the receipt of a notice of filing of a petition by or against a certificate holder under the United States Bankruptcy Code for bankruptcy or reorganization, the commissioner shall cease imposing, billing, or collecting the annual fees due under this chapter and this section to the certificate holder.

(f) Upon notice of the suspension of the corporate status of the certificate holder for a period of 12 months by the Secretary of State, the commissioner shall terminate the certificate of authority and shall deem the certificate to be terminated.

SEC. 69. Section 11620 of the Insurance Code is amended to read:

11620. (a) The commissioner, after a public hearing, shall approve or issue a reasonable plan for the equitable apportionment, among insurers admitted to transact liability insurance, of those applicants for automobile bodily injury and property damage liability insurance who are in good faith entitled to but are unable to procure that insurance through ordinary methods. The commissioner shall require the payment of one thousand four hundred ten dollars ($1,410), in advance, as a fee for the filing of amendments to the plan with the commissioner. The commissioner may approve or issue reasonable amendments to the plan that are approved by the plan's advisory committee, if he or she first holds a public hearing to determine whether the amendments are in keeping with the intent and purpose of this section. All those insurers shall subscribe to the plan and its amendments and participate in the plan.

(b) Judicial review of a change to the plan, including rate revision proceedings, shall be in accordance with Section 1858.6.

(c) The adoption of the plan referenced in subdivision (a), and any amendments thereto, is not subject to the requirements of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), unless written or oral comments submitted pursuant to subdivision (e) raise regulatory standards set forth in subdivisions (a), (b), (c), (d), (e), and (f) of Section 11349 of the Government Code.

(d) The commissioner shall provide notice of any hearing pursuant to subdivision (a) by doing all of the following at least 45 days prior to the hearing:

(1) Publishing the notice in the California Regulatory Notice Register.

(2) Mailing the notice to the parties on the department's regulations mailing list.

(3) Posting the notice on the department's public Internet Web site.

(e) Interested parties may present written or oral comments at the hearing, or may submit written comments to the contact person identified in the hearing notice by the date and time posted in the notice. Before adopting any amendments to the plan, the commissioner shall consider all comments received on or before the day of the hearing.

SEC. 70. Section 11691 of the Insurance Code is amended to read:

11691. (a) (1) In order to provide protection to the workers of this state in the event that the insurers issuing workers' compensation insurance to employers fail to pay compensable workers' compensation claims when due, except in the case of the State Compensation Insurance Fund, every insurer desiring admission to transact workers' compensation insurance, or workers' compensation reinsurance business, or desiring to reinsure the injury, disablement, or death portions of policies of workers' compensation insurance under the class of disability insurance shall, as a prerequisite to admission, or ability to reinsure the injury, disablement, or death portion of policies of workers' compensation insurance under the class of disability insurance, deposit cash instruments or approved interest-bearing securities or approved stocks readily convertible into cash, investment certificates, or share accounts issued by a savings and loan association doing business in this state and insured by the Federal Deposit Insurance Corporation, certificates of deposit, or savings deposits in a bank licensed to do business in this state, or approved letters of credit that perform in material respects as any other security allowable as a form of deposit for purposes of a workers' compensation deposit and that meet the standard set forth in Section 922.5, or approved securities registered with a qualified depository located in a reciprocal state as defined in Section 1104.9, with that deposit to be in an amount and subject to any exceptions as set forth in this article. The deposit shall be made from time to time as demanded by the commissioner and may be made with the Treasurer, or a bank or savings and loan association authorized to engage in the trust business pursuant to Division 1 (commencing with Section 99) or Division 2 (commencing with Section 5000) of the Financial Code, or a trust company. A deposit of securities registered with a qualified depository located in a reciprocal state as defined in Section 1104.9 may only be made in a bank or savings and loan association authorized to engage in the trust business pursuant to Division 1 (commencing with Section 99) or Division 2 (commencing with Section 5000) of the Financial Code, or a trust company, licensed to do business and located in this state that is either domiciled in and has a principal place of business in this state, or is a national bank association with a trust office located in this state, that is a qualified custodian as defined in paragraph (1) of subdivision (a) of Section 1104.9, and that maintains deposits of at least seven hundred fifty million dollars ($750,000,000). The deposit shall be made subject to the approval of the commissioner under those rules and regulations that he or she shall promulgate. The deposit shall be maintained at a deposit value specified by the commissioner, but in any event no less than one hundred thousand dollars ($100,000), nor less than the reserves required of the insurer to be maintained under any of the provisions of Article 1 (commencing with Section 11550) of Chapter 1, relating to loss reserves on workers' compensation business of the insurer in this state, nor less than the sum of the amounts specified in subdivision (a) of Section 11693, whichever is greater. The deposit shall be for the purpose of paying compensable workers' compensation claims under policies issued by the insurer or reinsured by the admitted reinsurer and expenses as provided in Section 11698.02, in the event the insurer or reinsurer fails to pay those claims when they come due. If the insurer providing the deposit is domiciled in a state where a state statute, regulation, or court decision provides that, with respect to covered claims within the deductible amount that are paid by a guarantee association after the entry of an order of liquidation under large deductible workers' compensation policies, any part of

the reimbursement proceeds, other than the reasonable expenses of the receiver related to treatment of deductible policy arrangements of insurance companies in liquidation, owed by insureds on those deductible amounts, whether paid directly or through a draw of collateral, are general assets of the estate, then the amount of the insurer's deposit pursuant to this article shall be calculated based on the gross amount of that insurer's liabilities for loss and loss adjustment expenses under those policies without regard to the deductible, and those reserves shall not be reduced by any collateral or reimbursement obligations insureds were required to provide under those policies.

(2) This section does not require that the deposit be calculated based on gross amounts of liabilities described above if the domiciliary state does not have an existing statute, regulation, or court decision providing that the reimbursement proceeds described above are general assets of the estate.

(b) Each insurer or reinsurer desiring to have the ability to reinsure the injury, disablement, or death portions of policies of workers' compensation under the class of disability insurance shall provide prior notice to the commissioner, in the manner and form prescribed by the commissioner of its intent to reinsure that insurance. In the event of late notice, a late filing fee shall be imposed on the reinsurer pursuant to Section 924 for failure to notify the commissioner of its intent to reinsure workers' compensation insurance.

(c) If the deposit required by this section is not made with the Treasurer, then the depositor shall execute a trust agreement in a form approved by the commissioner between the insurer, the institution in which the deposit is made or, where applicable, the qualified custodian of the deposit, and the commissioner, that grants to the commissioner the authority to withdraw the deposit as set forth in Sections 11691.2, 11696, 11698, and 11698.3. The insurer shall also execute and deliver in duplicate to the commissioner a power of attorney in favor of the commissioner for the purposes specified herein, supported by a resolution of the depositor's board of directors. The power of attorney and director's resolution shall be on forms approved by the commissioner, shall provide that the power of attorney cannot be revoked or withdrawn without the consent of the commissioner, and shall be acknowledged as required by law.

(d) (1) The commissioner shall require payment, in advance, of a fee of two hundred eighty-three dollars ($283) for the initial filing of a trust agreement with a bank, savings and loan association, or trust company on deposits made pursuant to subdivision (a); for each amendment, supplement, or other change to the deposit agreement; for receiving and processing deposit schedules pursuant to this section; and for each withdrawal, substitution, or any other change in the deposit.

(2) The commissioner shall require payment, in advance, of a fee of four hundred twenty-four dollars ($424) for the initial filing of each letter of credit utilized pursuant to subdivision (a). In addition, the commissioner shall require payment, in advance, of a fee of two hundred eighty-three dollars ($283) annually for each amendment of a letter of credit.

(e) Any workers' compensation insurer that deposits cash or cash equivalents pursuant to this section shall be entitled to a prompt refund of those deposits in excess of the amount determined by the commissioner pursuant to subdivision (a). The commissioner shall cause to be refunded any deposits determined by the commissioner to be in excess of the amount required by subdivision (a) within 30 days of that determination. In the alternative, an insurer may use any excess deposit funds to offset a demand by the commissioner to increase its deposit due to the failure of a reinsurer to make a deposit pursuant to this section.

(f) (1) An admitted insurer reinsuring business covered in this article (hereafter referred to as reinsurer) shall identify to the commissioner, in a form prescribed by the commissioner, amounts deposited for credit in the name of each ceding insurer.

(2) All reinsurance agreements covering claims and obligations under business covered by this article, and allowable for purposes of granting a ceding carrier a deposit credit, shall include a provision granting the commissioner, in the event of a delinquency proceeding, receivership, or insolvency of a ceding insurer, any sums from a reinsurer's deposit that are necessary for the commissioner to pay those reinsured claims and obligations, or to ensure their payment by the California Insurance Guarantee Association, deemed by the commissioner due under the reinsurance agreement, upon failure of the reinsurer for any reason to make payments under the policy of reinsurance. The commissioner shall give 30 days' notice prior to drawing upon these funds of an intent to do so. Notwithstanding the commissioner's right to draw on these funds, the reinsurer shall otherwise retain its right to determine the validity of those claims and obligations and to contest their payment under the reinsurance agreement. Prior to a reinsurer's deposit being drawn upon, in whole or in part, by the department, the department shall provide a reinsurer with an explanation of procedures that a reinsurer may use to explain to the department why the use of the reinsurer's deposit may not be appropriate under the reinsurance agreement.

(3) A reinsurer entering into a contract identified in paragraph (2), beginning on or after January 1, 2005, may not cede claims or obligations assumed from a ceding insurer unless the deposit securing the ceded claims or obligations is governed by paragraph (2) or, upon approval of the commissioner, would secure the ceded claims or obligations in all material respects and in the same manner as a deposit identified in paragraph (2) above.

(4) All sums received from the reinsurer by the commissioner for those claims paid by the California Insurance Guarantee Association shall be held separate and apart from and not included in the general assets of the insolvent insurer, and shall be transferred to the California Insurance Guarantee Association upon receipt by the commissioner. In the event of a final judgment or settlement adverse to the drawing of funds by the commissioner pursuant to paragraph (2) or (3), the California Insurance Guarantee Association shall repay funds it obtained to pay covered claims and shall, if necessary, either levy a surcharge as needed or seek legislative approval to levy the surcharge if the California Insurance Guarantee Association is already levying the maximum surcharge permissible under law.

(g) If a reinsurer has not maintained deposits as required by subdivision (a) in amounts equal to the amounts of deposit credits claimed by its ceding insurers, the commissioner, after notifying the reinsurer and its ceding insurers of the deposit shortfall and allowing 15 days from the date of the notice for the deposit shortfall to be corrected, may disallow all or a portion of the reserve credits claimed by the ceding insurers. A ceding insurer disallowed a reserve credit pursuant to this provision shall immediately make the deposit required by this section.

(h) For interest-bearing securities that are debt securities and include principal payment features prior to maturity that are utilized pursuant to subdivision (a), all principal payments received shall be retained as part of the deposit.

(i) Withdrawal of any amount of the deposit required under subdivision (a) that results in a reduction of the required amount of the deposit may only occur with the prior written consent of the commissioner.

SEC. 71. Section 11751 of the Insurance Code is amended to read:

11751. On and after January 1, 1952, a rating organization shall not conduct its operations in this state without first having filed with the commissioner a written application for and securing a license to act as a rating organization. Any rating organization may make application for and obtain a license as a rating organization if it meets the requirements for license set forth in this article. The fee for filing an application for a license as a rating organization is two hundred twenty-four dollars ($224) payable in advance to the commissioner. Every rating organization shall file with its application:

(a) A copy of its constitution, its articles of incorporation, agreement of association, and of its bylaws, rules and regulations governing the conduct of its business, all certified by the custodian of the originals thereof.

(b) A list of its members who shall not number less than five insurers authorized to write and writing workers' compensation insurance in this state and whose combined experience shall be determined by the commissioner to be reasonably adequate for ratemaking purposes.

(c) The name and address of a resident of this state upon whom notices of the commissioner or process affecting that rating organization may be served.

(d) A statement of its qualifications as a rating organization.

SEC. 72. Section 11751.25 of the Insurance Code is amended to read:

11751.25. Notwithstanding Section 11751, each rating organization possessing a license of indefinite term pursuant to this article shall owe and pay to the commissioner an annual fee of one hundred fifty dollars ($150), in advance, on account of that license until its final termination. That fee shall be for annual periods commencing on July 1 of each year and ending on June 30 of each year and shall be due and payable on each March 1 and shall be delinquent on and after each April 1.

SEC. 73. Section 12105 of the Insurance Code is amended to read:

12105. The filing fee for a certificate of authority or amended certificate of authority to transact financial guaranty insurance shall be seven thousand four hundred seventy-two dollars ($7,472).

SEC. 74. Section 12161 of the Insurance Code is amended to read:

12161. Application for a certificate of authority shall be made on a form prescribed by the commissioner, accompanied by a filing fee of four thousand nine hundred thirty-nine dollars ($4,939). That certificate shall not be granted until the applicant conforms to the requirements of this part and the laws of this state prerequisite to its issue. After the issuance, the holder shall continue to comply with the requirements of this part and the laws of this state.

SEC. 75. Section 12162 of the Insurance Code is amended to read:

12162. The commissioner shall not issue a certificate of authority to any motor club until:

(a) It files with him or her the following:

(1) A formal application for the certificate in that form and detail as the commissioner requires, executed under oath by its president or other principal officer.

(2) A certified copy of its charter or articles of incorporation and its bylaws, if any.

(3) A copy of its latest financial statement, or report of independent audit as the commissioner may require; or, in the event neither is available, its most recent operating statement and balance sheet. Any financial statement, audit, operating and balance sheet shall be verified by the person compiling or making the same and by an executive officer of the applicant.

(4) If it is a foreign corporation, a certificate from its domiciliary state regulatory authority executed not more than 30 days before the filing of its application that it is duly authorized to do a motor club business in that state.

(5) An explanation of its plan of doing business, and copies of the following: its application for membership; the proposed membership certificate or identification card; any proposed addendum thereto; any individual insurance policy and any group master policy and individual certificates thereunder to be offered; any service contract to be issued.

(6) Other information as the commissioner may find necessary in order to determine the applicant's qualifications.

(b) It first deposits security with the commissioner in one of the following forms:

(1) Securities of the kinds prescribed by this code for capital fund investments by stock insurers and approved by the commissioner, in the amount of one hundred thousand dollars ($100,000) based on par value or market value, whichever is less. The making, maintenance and withdrawal of those deposits and the substitution of securities therein shall be governed by Article 11 (commencing with Section 939) of Chapter 1 of Part 2 of Division 1.

(2) A surety bond on a form prescribed by the Attorney General of this state, executed by an admitted surety insurer in the penal sum of one hundred thousand dollars ($100,000).

(c) It pays to the commissioner an annual license fee of four hundred twenty-four dollars ($424).

(d) Its name is approved by the commissioner under Section 881, which applies to motor clubs.

(e) It proves by affidavits of its officers, directors, managers, and individual owners of more than 10 percent on a form prescribed by the commissioner that it is not disqualified under Section 704.5.

(f) It satisfies the commissioner it is qualified as respects each of the subjects enumerated in subdivisions (b), (c), (e), (f), (h), (i), and (j) of Section 717, when those subjects are read in the sense of protection to its members instead of policyholders.

(g) It is a separate legal entity capable of being examined by the commissioner as provided in this part.

SEC. 76. Section 12166 of the Insurance Code is amended to read:

12166. Notwithstanding the preceding provisions for a certificate of authority of indefinite term, each holder of a certificate of authority under this chapter shall owe and pay in advance to the commissioner an annual fee of two hundred five dollars ($205) on account of that certificate of authority until its final termination or revocation. That fee shall be for annual periods commencing on July 1 of each year and ending on June 30 of each year and shall be due on each March 1 and shall be delinquent on and after each April 1.

SEC. 77. Section 12168 of the Insurance Code is amended to read:

12168. Annually on or before March 1 of each year, copies of any instruments making any changes in articles of incorporation, bylaws, and membership certificate or identification card or service contract required by this part to be filed with the application for admission shall be filed with the commissioner. In the case of articles of incorporation, an amendment or certificate of amendment shall be certified by the official custodian of the original as a true copy of the same on file in his or her office. Amended bylaws or other papers shall be certified by the corporation secretary over the corporate seal to be true copies of the same currently adopted. The commissioner shall require the payment of fifty dollars ($50) for each annual filing of amended documents or papers pursuant to this article.

SEC. 78. Section 12280.2 of the Insurance Code is amended to read:

12280.2. (a) The fee for filing application for license as motor club agent is eighty-five dollars ($85).

(b) Property broker-agents, casualty broker-agents, personal lines broker-agents, and limited lines automobile insurance agents licensed under Chapter 5 (commencing with Section 1621) of Part 2 of Division 1 need not be licensed to act as motor club agents under this chapter.

(c) This section shall not permit a motor club agent to have a certificate of convenience nor a nonresident license, but shall require only club appointments, and shall not require the keeping of records or fiduciary accounts. Appropriate licenses and license applications may be prescribed by the commissioner.

SEC. 79. Section 12389 of the Insurance Code is amended to read:

12389. (a) On and after July 1, 2016, an underwritten title company as defined in Section 12340.5 that is a stock corporation may, subject to subdivision (b), (1) engage in the business of preparing title searches, title reports, title examinations, or certificates or abstracts of title, upon the basis of which a title insurer writes title policies, and (2) conduct escrow services through business locations, as defined in Section 12340.13, in counties in which the underwritten title company is licensed to conduct escrow services regardless of the location of the real or personal property involved in the transaction.

(b) (1) Only a domestic corporation may be licensed under this section and no underwritten title company, as defined in Section 12340.5, may become licensed under this section, or change the name under which it is licensed or operates, unless it has first complied with Section 881.

(2) (A) Depending upon the county or counties in which the company is licensed to transact business, it shall maintain required minimum net worth and a bond or cash deposit as follows:

Aggregate number of documents recorded and documents filed in the preceding calendar year in all counties where the company is licensed to transact business		
Number of documents	**Amount of required minimum net worth**	**Amount of bond or cash deposit**
Less than 50,000	$ 75,000	$ 50,000
50,000 to 100,000	120,000	50,000
100,000 to 500,000	200,000	100,000
500,000 to 1,000,000	300,000	100,000
1,000,000 or more	400,000	100,000

(B) “Net worth” for the purposes of this section is defined as the excess of assets over all liabilities and required reserves. The company may carry as an asset the actual cost of its title plant, provided the value ascribed to that asset shall not exceed the aggregate value of all other assets.

(C) If a title plant of an underwritten title company is not currently maintained, the asset value of the plant shall not exceed its asset value as determined in the preceding paragraph as of the date to which that plant is currently maintained, less one-tenth thereof for each succeeding year or part of the succeeding year that the plant is not being currently maintained. For the purposes of this section, a title plant shall be deemed currently maintained so long as it is used in the normal conduct of the business of title insurance, and (i) the owner of the plant continues regularly to obtain and index title record data to the plant or to a continuation thereof in a format other than that previously used, including, but not limited to, computerization of the data, or (ii) the owner of the plant is a participant, in an arrangement for joint use of a title plant system regularly maintained in any format, provided the owner is contractually entitled to receive a copy of the title record data contained in the jointly used title plant system during the period of the owner’s participation therein, either periodically or upon termination of that participation, at a cost not to exceed the actual cost of duplication of the title record data.

(D) An underwritten title company shall at all times maintain current assets of at least ten thousand dollars ($10,000) in excess of its current liabilities, as current assets and liabilities may be defined pursuant to regulations made by the commissioner. In making the regulations, the commissioner shall be guided by generally accepted accounting principles followed by certified public accountants in this state.

(3) (A) An underwritten title company shall obtain from the commissioner a license to transact its business. The license shall not be granted until the applicant conforms to the requirements of this section and all other provisions of this code specifically

applicable to the applicant. After issuance the holder of the license shall continue to comply with the requirements as to its business set forth in this code, in the applicable rules and regulations of the commissioner, and in the laws of this state.

(B) An underwritten title company that possesses, or is required to possess, a license pursuant to this section shall be subject as if an insurer to the provisions of Article 8 (commencing with Section 820) of Chapter 1 of Part 2 of Division 1, and is deemed to be subject to authorization by the Insurance Commissioner within the meaning of subdivision (e) of Section 25100 of the Corporations Code.

(C) The license may be obtained by filing an application on a form prescribed by the commissioner accompanied by a filing fee of eight hundred forty-nine dollars ($849). The license when issued shall be for an indefinite term and shall expire with the termination of the existence of the holder, subject to the annual renewal fee imposed under Sections 12415 and 12416.

(D) An underwritten title company seeking to extend its license to an additional county shall pay a four-hundred-ninety-four-dollar ($494) fee for each additional county, and shall furnish to the commissioner evidence, at least sufficient to meet the minimum net worth requirements of paragraph (2), of its financial ability to expand its business operation to include the additional county or counties.

(4) (A) An underwritten title company shall furnish an audit to the commissioner on the forms provided by the commissioner annually, either on a calendar year basis on or before March 31 or, if approved in writing by the commissioner in respect to any individual company, on a fiscal year basis on or before 90 days after the end of the fiscal year. The time for furnishing any audit required by this paragraph may be extended, for good cause shown, on written approval of the commissioner for a period, not to exceed 60 days. Failure to submit an audit on time, or within the extended time that the commissioner may grant, is grounds for an order by the commissioner to accept no new business pursuant to subdivision (g). The audits shall be private, except that a synopsis of the balance sheet on a form prescribed by the commissioner may be made available to the public.

(B) The audits shall be made in accordance with generally accepted auditing standards by an independent certified public accountant or independent licensed public accountant whose certification or license is in good standing at the time of the preparation. The fee for filing the audit shall be seven hundred fifty dollars ($750).

(C) The commissioner may refuse to accept an audit or order a new audit for any of the following reasons:

(i) An adverse result in any proceeding before the California Board of Accountancy affecting the auditor’s license.

(ii) The auditor has an affiliation with the underwritten title company or any of its officers or directors that would prevent his or her reports on the company from being reasonably objective.

(iii) The auditor has been convicted of a misdemeanor or felony based on his or her activities as an accountant.

(iv) A judgment adverse to the auditor in any civil action finding him or her guilty of fraud, deceit, or misrepresentation in the practice of his or her profession.

(D) A company that fails to file an audit or other report on or before the date it is due shall pay to the commissioner a penalty fee of two hundred eighty-three dollars ($283) and on failure to pay that or another fee or file the audit required by this section shall forfeit the privilege of accepting new business until the delinquency is corrected.

(c) An underwritten title company may engage in the escrow business and act as escrow agent, provided that:

(1) It maintains a record of all receipts and disbursements of escrow funds.

(2) (A) It maintains a bond satisfactory to the commissioner in the amount set forth in subparagraph (A) of paragraph (2) of subdivision (b). The bond shall run to the state for the use of the state, and for any person who has cause against the obligor of the bond or under the provisions of this chapter.

(B) (i) In lieu of the bond described in subparagraph (A), the company may maintain a deposit in the amount set forth in subparagraph (A) of paragraph (2) of subdivision (b), and in a form permitted by Section 12351, with the commissioner, who shall immediately make a special deposit in that amount in the State Treasury. The deposit shall be subject to Sections 12353, 12356, 12357, and 12358. As long as there are no claims against the deposit, all interest and dividends thereon shall be paid to the depositor. The deposit shall be security for the same beneficiaries and purposes as the bond, as set forth in subdivision (d). The deposit shall be maintained until four years after all escrows handled by the depositor have been closed.

(ii) The commissioner may release the deposit prior to the passage of the four-year period described in clause (i) upon presentation of evidence satisfactory to the commissioner of either a statutory merger of the depositor into a licensee subject to the jurisdiction of the commissioner, or a valid assumption agreement under which the liability of the depositor

stemming from escrow transactions handled by it is assumed by a licensee subject to the jurisdiction of the commissioner.

(iii) With the foregoing exceptions, the deposit shall be returned to the depositor or lawful successor in interest following the four-year period described in clause (i) upon presentation of evidence satisfactory to the commissioner that there are no claims against the deposit arising out of escrow transactions handled by the depositor. If claims against the deposit are presented to the commissioner, the commissioner may pay a valid claim or claims until the deposit amount is exhausted. If the commissioner has evidence of one or more claims against the depositor, and the depositor is in conservatorship, bankruptcy, or liquidation proceedings, the commissioner may release the deposit to the conservator, trustee, or liquidator. If the depositor is not in conservatorship, bankruptcy, or liquidation, the commissioner may interplead the deposit by special endorsement to a court of competent jurisdiction for distribution to claimants on the deposit.

(d) (1) The bond provided by a surety insurer pursuant to subdivision (c) naming the underwritten title company as principal obligor or the letter of credit of an issuing bank shall be subject to the following conditions:

(A) The licensee shall faithfully conform to and abide by the provisions of this chapter and all of the rules made by the commissioner under this chapter concerning the conduct of escrow services.

(B) The licensee will honestly and faithfully apply all funds received, and will faithfully and honestly perform all obligations and undertakings under this chapter, concerning the conduct of escrow services.

(2) In determining the liability of the principal and the sureties under the bond, any money recovered to restore any deficiency in the trust shall not be considered as an asset of the liquidation subject to the assessment for the cost of the liquidation.

(3) The surety under the bond, or the issuing bank of a letter of credit, may pay the full amount of its liability thereunder to the commissioner as conservator, liquidator, receiver, or anyone appointed by the commissioner as a conservator, liquidator, or receiver in lieu of payment to the state or persons having a cause of action against the principal of a bond or applicant under a letter of credit, and upon that payment the surety on the bond, or the issuing bank under a letter of credit shall be completely released, discharged, and exonerated from further liability under the bond or letter of credit, as applicable. The conservator, liquidator, or receiver may use the proceeds of the bond, or letter of credit, for any purposes, including the funding of the costs of conservatorship, receivership, or liquidation.

(4) If there is no reasonable or adequate admitted market for surety bonds as required by this section, the commissioner may act pursuant to Section 1763.1 or, for good cause shown, may permit a letter of credit in lieu thereof, and in the amount of the bond or deposit required by this section. In that case, the commissioner may fashion the letter of credit requirements as appropriate to the circumstances and cause.

(e) (1) On and after July 1, 2016, the commissioner shall promptly release to the depositor, upon application, all escrow-related deposits previously made pursuant to paragraph (2) as that paragraph read on June 30, 2016, if any of the following occurs:

(A) The underwritten title company has provided to the commissioner bond coverage, a deposit, or an approved irrevocable letter of credit as set forth in this subdivision.

(B) Upon presentation of evidence satisfactory to the commissioner of either a statutory merger of the underwritten title company depositor into a licensee or certificate holder subject to the jurisdiction of the commissioner, or a valid assumption agreement under which all liability of the depositor stemming from escrow transactions handled by it is assumed by a licensee or certificate holder subject to the jurisdiction of the commissioner.

(2) Otherwise, the deposit shall be promptly returned to the depositor, its duly appointed trustee in bankruptcy, or its lawful successor in interest upon application for release following the four-year period specified in paragraph (2) of subdivision (c) as that paragraph read on June 30, 2016, unless the commissioner has received claims against the deposit stemming from escrow transactions handled by the depositor. If the commissioner has received one or more claims against the depositor, and the depositor is not in conservatorship, bankruptcy, or liquidation, the commissioner may interplead the deposit by special endorsement to a court of competent jurisdiction for distribution on the basis that claims against the depositor stemming from escrow transactions handled by the depositor have priority in the distribution over other claims against the depositor.

(f) The commissioner shall, whenever it appears necessary, examine the business and affairs of a company licensed under this section. The examination shall be at the expense of the company.

(g) (1) At any time that the commissioner determines, after notice and hearing, that a company licensed under this section has willfully failed to comply with a provision of this section, the commissioner shall make his or her order prohibiting the company from conducting its business for a period of not more than one year.

(2) A company that violates the commissioner's order is subject to seizure under Article 14 (commencing with Section 1010) of Chapter 1 of Part 2 of Division 1, is guilty of a misdemeanor, and may have its license revoked by the commissioner. Any person aiding and abetting any company in a violation of the commissioner's order is guilty of a misdemeanor.

(h) The purpose of this section is to maintain the solvency of the companies subject to this section and to protect the public by preventing fraud and requiring fair dealing. In order to carry out these purposes, the commissioner may make reasonable rules and regulations to govern the conduct of its business of companies subject to this section. The rules and regulations shall be adopted, amended, or repealed in accordance with the procedures provided in Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(i) The name under which each underwritten title company is licensed shall at all times be an approved name. The fee for filing an application for a change of name shall be two hundred eighty-three dollars ($283). Each company shall be subject to Article 14 (commencing with Section 1010) and Article 14.5 (commencing with Section 1065.1) of Chapter 1 of Part 2 of Division 1.

(j) This section does not prohibit an underwritten title company from engaging in escrow, settlement, or closing activities on properties located outside this state if those activities do not violate the laws of that other state or country.

SEC. 80. Section 12416 of the Insurance Code is amended to read:

12416. Each certificated title insurer possessing a certificate of authority of indefinite term pursuant to Section 701 shall owe and pay an annual renewal fee of nine hundred eighty-eight dollars ($988). Each underwritten title company possessing a license of indefinite term pursuant to Section 12389 shall owe and pay an annual renewal fee of five hundred sixty-seven dollars ($567), except that: (a) when the aggregate number of documents recorded and documents filed in the offices of the county recorders in the preceding calendar year in all counties where the company is licensed to transact business is less than 50,000, that company shall owe and pay an annual renewal fee of two hundred eighty-three dollars ($283), or (b) when the aggregate number of documents recorded and documents filed in the offices of the county recorders in the preceding calendar year in all counties where the company is licensed to transact business is more than 50,000 but less than 100,000, that company shall owe and pay an annual renewal fee of three hundred sixty dollars ($360). Those fees shall be for annual periods commencing on July 1 of each year and ending on June 30 of each year, and shall be due on March 1 preceding the annual period for which those fees are charged, and shall be delinquent on and after April 1 next following the date when due.

SEC. 81. Section 12418.1 of the Insurance Code is amended to read:

12418.1. (a) A certificate of registration as a title marketing representative shall be applied for and renewed by filing with the commissioner a written application. The application shall be on a form prescribed by the commissioner, and shall prescribe the disclosure of information that will aid the commissioner in determining whether the prerequisites for the certificate have been met. The applicant shall certify that the contents of the application are true and correct under penalty of perjury.

(b) Each application for a certificate of registration shall contain the following information:

(1) The residence address, the principal business address, and the mailing address of the applicant.

(2) A statement, signed by an officer of the business by whom the applicant is or will be employed, certifying that the applicant will be provided training regarding Article 6 (commencing with Section 12404) within 60 days of the hiring date or date of application.

(3) A statement, signed by the applicant, as to whether he or she has previously had a certificate of registration revoked, suspended, or otherwise limited under Section 12418.4.

(c) Each application to obtain or renew a certificate of registration shall be accompanied by a filing fee in an amount determined by the department to be sufficient to defray the department's actual costs of processing the application, not to exceed two hundred thirty-seven dollars ($237). An application shall not be deemed filed unless it has been delivered to the department accompanied by the proper filing fee.

(d) The commissioner may decline to act on an incomplete or defective application until an amended application that completes the prescribed form has been filed with the department. In the event that the application is found to be defective or incomplete, the department shall notify the applicant and his or her employer in writing that the application needs to be modified and resubmitted within 15 days of receipt of this written notification.

(e) An applicant submitting an application filed with the department for a certificate of registration as a title marketing representative may solicit, sell, or market title insurance, as defined in Section 12340.1, in the interim time period preceding the formal approval or rejection of the application, but shall be subject to the same compliance requirements as a holder of an

approved certificate of registration. An applicant with a pending application shall be deemed to be operating on a provisional basis.

(f) In the event that the title marketing representative's employment with a title company is terminated, the title company formerly employing the title marketing representative shall notify the department within 30 days of the termination. If the title marketing representative becomes employed by another title company as a title marketing representative, the new employer shall notify the department of the title marketing representative's new employment within 30 days of the commencement of that employment.

(g) An applicant who has previously had a certificate of registration revoked, suspended, or otherwise limited under subdivision (d) of Section 12418.4 may not sell, solicit, or market title insurance during the interim period described in subdivision (e).

SEC. 82. Section 12418.3 of the Insurance Code is amended to read:

12418.3. (a) Each certificate of registration issued under this article shall be for a three-year period beginning on the date the certificate is issued.

(b) Not less than 60 days before a certificate of registration will expire, the commissioner may mail or use an electronic delivery method, including email or other similar electronic method, to deliver an application to renew the certificate to the latest email or mailing address appearing on the registrant's records. It shall be the responsibility of the registrant to renew his or her certificate, whether or not a renewal notice is received.

(c) The application for renewal of an expired certificate of registration may be filed after the expiration date and until the same month and day of the next succeeding year. In addition to the fee for a renewal application, a delinquent application fee in the amount of fifty-eight dollars ($58) shall be assessed for each application for renewal filed after the expiration date. Each registrant shall be subject to payment of delinquent application fees under this subdivision. The commissioner may waive the delinquent application fee, or accept a renewal filed after the date specified in this subdivision, if the registrant's failure to comply is due to clerical or other inadvertent error on the part of the department.

SEC. 83. Section 12640.10 of the Insurance Code is amended to read:

12640.10. (a) An insurer that anywhere transacts any class of insurance other than mortgage guaranty insurance defined in paragraphs (1), (3), and (4) of subdivision (a) of Section 12640.02 is not eligible for the issuance of a certificate of authority to transact those classes of mortgage guaranty insurance in this state nor for the renewal thereof. An insurer with a certificate of authority to transact the business of credit insurance in this state may also transact the business of mortgage guaranty insurance as defined in paragraph (2) of subdivision (a) of Section 12640.02, provided the insurer has received the written permission of the commissioner.

(b) An insurer that anywhere transacts the classes of insurance defined in paragraphs (2), (3), and (4) of subdivision (a) of Section 12640.02 is not eligible for the issuance of a certificate of authority to transact in this state the class of mortgage guaranty insurance defined in paragraph (1) of subdivision (a) of Section 12640.02.

(c) An insurer authorized to transact the class of insurance defined in paragraph (2) of subdivision (a) of Section 12640.02 shall maintain segregated accounts with respect to that insurance in the following manner if it anywhere transacts any other class of insurance:

(1) The minimum paid in capital and surplus required by Section 12640.03 and the reserves required to be established pursuant to Sections 12640.04 and 12640.16 shall be contributed to and maintained in the account.

(2) The income and assets attributable to the segregated account shall continuously remain identifiable with the particular account, but, unless the commissioner so orders, the assets need not be kept physically separate from other assets of the insurer. The income, gains, and losses, whether or not realized, from assets attributable to the segregated account shall be credited to or charged against the account without regard to other income, gains, or losses of the insurer.

(3) Assets attributable to the segregated account shall not be chargeable with any liabilities arising out of any other business of the insurer, and any assets not attributable to the account shall not be chargeable with any liabilities arising out of it.

(4) The segregated account shall be deemed an insurer for purposes of any proceedings in cases of insolvency and delinquency instituted, pursuant to applicable provisions of this code; provided, however, that account shall not be subject to the provisions of Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1.

(5) Assets allocated to the segregated account are the property of the insurer, which shall not hold itself out to be a trustee of the assets.

(6) An insurer may own a particular asset in determinate proportions for that segregated account or for its general account.

(7) An insurer may, by an identifiable act, transfer assets for fair consideration between its segregated account and its general account.

(d) The written permission described in subdivision (a) shall be obtained by filing an application with the commissioner on a form prescribed by the commissioner accompanied by any additional information concerning the insurer, its conditions, and affairs, as the commissioner may require. A fee of two thousand two hundred forty-one dollars ($2,241) shall be paid in advance to the department for the filing of the application.

SEC. 84. Section 12815 of the Insurance Code is amended to read:

12815. (a) An obligor who is not a seller shall possess a vehicle service contract provider license. A vehicle service contract provider license shall be applied for and maintained, and its holder shall be subject to disciplinary action, as if it were a property broker-agent and casualty broker-agent license, with the following exceptions:

(1) An applicant for a vehicle service contract provider license is exempt from having to satisfy prelicensing and continuing education requirements, and from having to pass a qualifying exam.

(2) The fee to obtain a vehicle service contract provider license shall be four thousand nine hundred thirty-nine dollars ($4,939). The fee to renew a vehicle service contract provider license shall be eight hundred forty-seven dollars ($847).

(b) A service contract administrator shall be licensed as a property broker-agent and casualty broker-agent.

SEC. 85. Section 12972 of the Insurance Code is amended to read:

12972. The commissioner shall require the payment of one dollar ($1), in advance, as a fee for attaching his or her seal of office to any paper or document not specified in this code.

SEC. 86. Section 12973 of the Insurance Code is repealed.

SEC. 87. Section 12973 is added to the Insurance Code, to read:

12973. The commissioner shall require, in advance, as a fee for issuing certificates when the fee is not otherwise specified, the following amounts:

(a) Twenty-two dollars ($22), if there is sufficient demand so that the commissioner in his or her discretion has prepared a form of the certificate in advance that requires only the filling in of blanks for completion.

(b) For issuing any other certificate, the reasonable cost of preparing and issuing that certificate, but not to exceed fifty dollars ($50) for the first copy of the certificate and nine dollars ($9) for each additional copy.

SEC. 88. Section 12973.5 of the Insurance Code is amended to read:

12973.5. The commissioner shall charge and collect, in advance, the following fees:

(a) For filing any application for a license, permit, or certificate of authority when a fee for either filing the application or issuing the license, permit, or certificate is not elsewhere specified in this code, twenty-two dollars ($22).

(b) For filing any application to take any qualifying examination required by this code to be taken by a licensee other than an insurer, or to be taken by any applicant for a license other than a certificate of authority when a fee for filing that application or giving that examination is not elsewhere specified in this code, seventy-two dollars ($72).

SEC. 89. Section 12973.6 of the Insurance Code is amended to read:

12973.6. If a check in payment of a tax, fee, or penalty is not paid by the bank on which it is drawn on its first presentation, the commissioner shall charge and collect an additional fee of fourteen dollars ($14).

SEC. 90. Section 12975 of the Insurance Code is amended to read:

12975. Whenever, by the provisions of this code a duty, right, privilege, or power is imposed or conferred upon the commissioner, but it is provided that the expense of performance of that duty or exercise of that right, privilege, or power is to be paid in advance or otherwise out of sources other than the Insurance Fund, the commissioner may defray that expense, or any portion thereof, out of the appropriation for the support of the Department of Insurance without regard to prospect of repayment. The repayment of those moneys, not to exceed one thousand one hundred twenty-one dollars ($1,121) shall be a debt of and a lien against the

assets of every person otherwise chargeable with that payment and shall constitute a preferred claim in all proceedings in bankruptcy or insolvency to the same extent as claims for compensation due employees for wages and salaries and claims for expenses of conservatorship or liquidation in proceedings under Article 14 (commencing with Section 1010) of Chapter 1 of Part 2 of Division 1.

SEC. 91. Section 12978 of the Insurance Code is amended to read:

12978. (a) Notwithstanding any other law, the commissioner may increase or decrease the fees set forth in this code, as necessary, to allow the department to meet the appropriation authorized by the annual Budget Act. However, any increase or decrease so made shall be made only in accordance with this section, and a fee increase shall not exceed 10 percent without the prior approval of the Legislature.

(b) A single annual increase or decrease in fees, on a fiscal year basis, may be made by the department at any time during the year provided it is announced by bulletin issued at least 90 days prior to the effective date of that increase or decrease. The bulletin shall be sent to all affected parties and to the Assembly Committee on Insurance and the Senate Committee on Insurance. That fee increase or decrease may be rescinded by a majority vote of both houses of the Legislature not later than 60 days after the issuance of the bulletin announcing the increase or decrease.

(c) If the bulletin is issued during the period between August 1 and December 1 of any year, the department shall provide notice in writing of the necessity of any fee increase or decrease as proposed in the bulletin upon issuance of the bulletin to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee.

(d) If written notice is provided to the commissioner within 60 days of the issuance of the bulletin announcing the increase or decrease by any of the chairpersons that there is an objection to the fee increase or decrease, the increase or decrease shall take effect February 1 of the following year unless rescinded by a majority vote of both houses of the Legislature by that date, rather than 60 days after issuance of the bulletin.

(e) The department shall annually project forward its workload for the subsequent three years in order to project appropriate fee levels, and shall annually make adjustments to those fees, if necessary, based on actual workload experience.

(f) The limit on the cumulative amount that the fees may be increased or decreased shall be the amount necessary to provide sufficient moneys to carry out the projected workload within the appropriations contained in the Governor’s Budget for the next succeeding fiscal year, or, to the extent that moneys received or projected to be received by the department are insufficient to carry out the projected workload within the appropriation authorized by the annual Budget Act during the then current fiscal year, an amount necessary to meet that appropriation and consistent with that projected workload.

SEC. 92. Section 14042 of the Insurance Code is amended to read:

14042. A licensee shall not conduct a business under a fictitious or other business name unless and until he or she has obtained the written authorization of the commissioner to do so.

The commissioner shall not authorize the use of a fictitious or other business name that is so similar to that of a public officer or agency or of that used by another licensee that the public may be confused or misled thereby.

The authorization shall require, as a condition precedent to the use of any fictitious name, that the licensee comply with Section 1724.5 of this code and Chapter 5 (commencing with Section 17900) of Part 3 of Division 7 of the Business and Professions Code.

A licensee desiring to conduct his or her business under more than one fictitious business name shall obtain the authorization of the commissioner in the manner prescribed in this section for the use of each name.

The licensee shall pay a fee of twenty-five dollars ($25) for each authorization to use an additional fictitious business name and for each change in the use of a fictitious business name. If the original license is issued in a nonfictitious name and authorization is requested to have the license reissued in a fictitious business name, the licensee shall pay a fee of twenty-nine dollars ($29) for that authorization.

SEC. 93. Section 14097 of the Insurance Code is amended to read:

14097. The amount of fees prescribed by this chapter, unless otherwise fixed, is that fixed in the following schedule:

(a) The application fee for an original license is seventy-two dollars ($72).

(b) The application fee for an original branch office certificate is forty-seven dollars ($47).

(c) The fee for an original license is an amount equal to the renewal fee in effect on the last regular renewal date before the date on which the license is issued, except that, if the license will expire less than one year after its issuance, then the fee is an amount equal to 50 percent of the renewal fee in effect on the last regular renewal date before the date on which the license is issued. The commissioner may, by appropriate regulation, provide for the waiver or refund of the initial license fee if the license is issued less than 45 days before the date on which it will expire.

(d) The renewal fee shall be fixed by the commissioner as follows:

(1) For a license as an insurance adjuster, not more than two hundred eighty-three dollars ($283).

(2) For a branch office certificate, not more than fifty-six dollars ($56).

(e) The application and license fee for classifications prescribed by the commissioner, in addition to those provided for in this chapter, and the application and license fees for a change in the type of business organization of a licensee, shall be in the amount prescribed by rule and regulation of the commissioner.

(f) The delinquency fee shall be 50 percent of the renewal fee in effect on the date of expiration, but not more than seventy-two dollars ($72).

(g) The fee for reexamination of an applicant or his or her manager is twenty-nine dollars ($29).