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AB-2142 Insurance: home protection companies. (2017-2018)

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Assembly Bill No. 2142

CHAPTER 431

An act to amend Section 12752 of the Insurance Code, relating to insurance.

[Approved by Governor September 17, 2018. Filed with Secretary of State September 17, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2142, Bigelow. Insurance: home protection companies.

Existing law regulates home protection companies, which issue contracts for the repair or replacement of a component, system, or appliance of a home. Existing law requires a home protection company to file an annual statement exhibiting its conditions and affairs, as specified, and an annual statement of financial condition. Existing law requires a home protection company to maintain a reserve for unearned premiums in an amount not less than 40% of the aggregate premiums charged on its current contracts. Existing law requires the Insurance Commissioner to examine the affairs of a home protection company before licensure and at other times as appears necessary, and prohibits the commissioner from conducting more than one financial examination of a home protection company in a 5-year period, unless specified requirements are met.

This bill would authorize the commissioner to extend the period between examinations up to 2 additional years if the commissioner determines that conditions warrant the extension, as specified.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

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

SECTION 1. Section 12752 of the Insurance Code is amended to read:

12752. (a) A home protection company shall file an annual statement exhibiting its conditions and affairs in accordance with Sections 900, 900.5, 900.8, 900.9, 902, 903, 903.5, 904, 922.1 to 922.8, inclusive, 923, 923.5, and 924. However, the required contents of the annual statement may vary from the requirements thereof, pursuant to regulations adopted by the commissioner in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, so as to adapt the requirements to the home protection business. This subdivision shall not be construed to limit the authority of the commissioner to request financial statements from licensees at any time.

(b) The commissioner shall, before licensure and at other times as appears necessary, examine the business and affairs of a home protection company subject to this part. A home protection company so examined shall open its books and records for inspection by the commissioner and shall otherwise facilitate and cooperate in the examination. In making the examination, the commissioner shall have the rights specified in Section 733, and the examinee shall be subject to the obligations of Section 736. The commissioner shall not conduct more than one financial examination of a company in a five-year period, unless the commissioner finds that the financial condition of the company has deteriorated, thereby warranting an interim examination.

(c) The commissioner may extend the period between examinations up to two additional years if the commissioner determines that conditions warrant the extension. In making that determination, the commissioner may consider all of the following factors:

- (1) The company's reserves.
- (2) The company's net worth.
- (3) Any other factors the commissioner considers relevant.