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AB-1813 Insurance. (2019-2020)

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Assembly Bill No. 1813

CHAPTER 201

An act to amend Sections 677, 678, 922.41, 1215.8, 1764.1, 10086, 10103.2, 12968, 12969, and 13550, to amend, repeal, and add Section 1726 of, to add Section 900.3 to, and to repeal Section 1746 of, the Insurance Code, relating to insurance.

[Approved by Governor August 30, 2019. Filed with Secretary of State August 30, 2019.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1813, Committee on Insurance. Insurance.

Existing law creates the Department of Insurance, headed by the Insurance Commissioner, and generally regulates the business of insurance in the state.

(1) Existing law requires a notice of cancellation or a notice of nonrenewal of a policy of property insurance to include specified information about the reasons for the cancellation or nonrenewal. Existing law requires an insurer that does not offer at least 50 percent above the residential dwelling coverage limit to an applicant for a policy of residential property insurance to provide a disclosure regarding the department's Homeowners Coverage Comparison Tool. Existing law requires a nonadmitted insurer to provide a specified notice to a home state insured or applicant regarding the insurer's nonadmitted status. Existing law requires a renewal offer that modifies the terms and conditions of an earthquake insurance policy, rider, or endorsement issued outside of the California Earthquake Authority to include a specified statement in a stand-alone document that states the changes to the policy, rider, or endorsement.

On or after July 1, 2020, this bill would require a notice of cancellation or a notice of nonrenewal of a policy of property insurance to include a statement that the policyholder may have the department review the cancellation, and would require those notices to include specified contact information for the department. The bill would clarify that an insurer that offers at least 50 percent above the residential dwelling coverage limit to an applicant for a policy of residential property insurance is not required to provide a disclosure regarding the department's Homeowners Coverage Comparison Tool. The bill would update the notice from a nonadmitted insurer to a home state insured or applicant to include contact information and internet website addresses for the department and the National Association of Insurance Commissioners. The bill would, on and after July 1, 2020, revise the required statement to be included with a modified renewal offer of an earthquake insurance policy, rider, or endorsement issued outside of the California Earthquake Authority.

(2) Existing law requires a person who is licensed in this state as an insurance agent or broker, advertises insurance on the internet, and transacts insurance in this state, as defined, to identify certain information on the internet, regardless of whether the agent or broker maintains the internet presence or if the presence is maintained on the person's behalf.

On or after July 1, 2020, this bill would clarify that the information be identified on the agent's or broker's internet website home page or in a prominently displayed link from the home page. The bill would additionally define an agent or broker who advertises

insurance on the internet to be transacting insurance in this state if the agent or broker solicits a California resident, enters into preliminary contract negotiations with a California resident, executes a contract with a California resident, or transacts matters after and arising out of that contract with a California resident.

(3) Existing law requires an insurer doing business in the state to have an annual audit by an independent certified public accountant. Existing law requires an insurer to file an audit report in conformity with standards adopted by the National Association of Insurance Commissioners, and authorizes the commissioner to grant multiple 30-day extensions for that report.

This bill would require an insurer or group of insurers to establish an internal audit function, as defined, to provide assurance to the insurer's audit committee and management regarding the insurer's governance, risk management, and internal controls. The bill would require the internal audit function to be organizationally independent, and would require its head to report to the audit committee no less than annually on specified information, including the periodic audit plan and material findings from completed audits. The bill would exempt an insurer from these requirements if the insurer has annual direct written and unaffiliated assumed premium less than \$500,000,000, as specified, or if the insurer is a member of a group of insurers that has annual direct written and unaffiliated assumed premium less than \$1,000,000,000, as specified.

(4) Existing law requires an insurer to file financial statements with the commissioner. For purposes of those financial statements, existing law, until January 1, 2021, authorizes a domestic insurer to take a credit for reinsurance if the reinsurance is ceded to an assuming insurer that has been certified by the commissioner as a reinsurer in this state and the insurer secures its obligations in accordance with certain requirements, as specified.

This bill would indefinitely extend the above-described credit allowed for a domestic insurer.

(5) Existing law requires the department to display public pleadings, orders, or documents relating to a formal enforcement action against a licensee on its internet website. Existing law requires the department to remove a pleading, order, or document from, or post a clarifying statement on, its internet website within 30 days after an enforcement action is withdrawn. Existing law requires the department to remove an order or pleading related to a disciplinary proceeding, enforcement action, or issuance of a restricted license from its internet website 10 years from the date the action becomes final or the restriction is removed, unless another specified action is active or pending or has been finalized against the licensee within the previous 10 years.

This bill would require the department to additionally post or remove pleadings, orders, or documents relating to a formal enforcement action against an applicant. The bill would eliminate the retention of an order or pleading on the department's internet website for more than 10 years if another specified action is active or pending or has been finalized against the licensee within the previous 10 years.

(6) Existing law sets forth the procedures for formal and informal administrative adjudications. Existing law authorizes the commissioner to use a specified informal adjudication process when the commissioner determines a licensee has made a minor misstatement in an application for a new or renewal license.

This bill would repeal that informal process to adjudicate minor misstatements by licensees.

(7) Existing law requires an insurer to cooperate with the Department of Child Support Services to identify claimants who also owe past-due child support, and to report those claimants to the department if the claim seeks an economic benefit, defined as a payment of at least \$1,000, not including a claim for property damage, under a liability insurance policy or underinsured motorist policy. Existing law exempts specified economic benefits, including payments made after the claimant presents a final bill or signed invoice in an amount equal or greater to the insurance payment and payments made to the mortgagee or lienholder of the property.

This bill would instead specify that an economic benefit under a property and casualty insurance policy does not include payments to replace or repair lost or damaged property. The bill would delete the exemptions for payments made after the claimant presents a final bill or signed invoice in an amount equal or greater to the insurance payment and payments made to the mortgagee or lienholder of the property.

(8) Existing law, the Insurance Holding Company System Regulatory Act, requires each insurer that is authorized to do business in this state and that is a member of an insurance holding company system to register with the Insurance Commissioner and to file a registration statement containing specified information. Existing law authorizes the commissioner to participate in a supervisory college for a domestic insurer that is a member of an insurance holding company system to ensure the insurer's compliance with the act.

The California Public Records Act (CPRA) generally requires state and local agencies to make their records available for public inspection, unless the records are exempt from disclosure. Existing law exempts from CPRA disclosure the information, documents, and copies obtained by the commissioner or any other person in the course of a specified examination or

investigation of an insurance holding company, or otherwise reported to or provided to the commissioner pursuant to specified laws, and provides that information is not subject to subpoena or discovery in a private civil action.

This bill would additionally exempt information, documents, and copies obtained by, reported to, or provided to the commissioner during the commissioner's participation in a supervisory college from the disclosure requirements of CPRA, as well as from subpoena or discovery in a private civil action.

Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest.

This bill would make legislative findings to that effect.

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

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

SECTION 1. Section 677 of the Insurance Code is amended to read:

677. (a) All notices of cancellation shall be in writing, mailed to the named insured at the address shown in the policy, or to the insured's last known address, and shall state, with respect to policies in effect after the time limits specified in Section 676, all of the following:

(1) Which of the grounds set forth in Section 676 is relied upon.

(2) In accordance with the requirements of subdivisions (a) and (e) of Section 791.10, the specific information supporting the cancellation, the specific items of personal and privileged information that support those reasons, if applicable, and corresponding summary of rights.

(3) On or after July 1, 2020, a notification that if the policyholder believes the policy has been wrongfully canceled, the policyholder may have the matter reviewed by the department. The notification shall include the department's internet website, www.insurance.ca.gov, the department's telephone number, 1-800-927-HELP (4357), and the mailing address of the department's Consumer Services Division, 300 South Spring Street, Los Angeles, CA 90013.

(b) For purposes of this section, a lienholder's copy of those notices shall be deemed mailed if, with the lienholder's consent, it is delivered by electronic transmittal, facsimile, or personal delivery.

SEC. 2. Section 678 of the Insurance Code is amended to read:

678. (a) At least 45 days before policy expiration, an insurer shall deliver to the named insured or mail to the named insured at the address shown in the policy, either of the following:

(1) An offer of renewal of the policy contingent upon payment of premium as stated in the offer, stating each of the following:

(A) Any reduction of limits or elimination of coverage.

(B) The telephone number of the insurer's representatives who handle consumer inquiries or complaints. The telephone number shall be displayed prominently in a font size consistent with the other text of the renewal offer.

(2) A notice of nonrenewal of the policy. That notice shall contain all of the following:

(A) The reason or reasons for the nonrenewal.

(B) The telephone number of the insurer's representatives who handle consumer inquiries or complaints. The telephone number shall be displayed prominently in a font size consistent with the other text of the notice of nonrenewal.

(C) Until July 1, 2020, a brief statement indicating that if the consumer has contacted the insurer to discuss the nonrenewal and remains unsatisfied, the consumer may have the matter reviewed by the department. The statement shall include the telephone number of the unit within the department that responds to consumer inquiries and complaints.

(D) On or after July 1, 2020, a statement that if the consumer has contacted the insurer to discuss the nonrenewal and remains unsatisfied, the consumer may have the matter reviewed by the department. The statement shall include the department's internet website, www.insurance.ca.gov, the department's telephone number, (800) 927-HELP (4357), and the mailing address of the department's Consumer Services Division, 300 S. Spring Street, Los Angeles, CA 90013.

(b) If an insurer fails to give the named insured either an offer of renewal or notice of nonrenewal as required by this section, the existing policy, with no change in its terms and conditions, shall remain in effect for 45 days from the date that either the offer to renew or the notice of nonrenewal is delivered or mailed to the named insured. A notice to this effect shall be provided by the insurer to the named insured with the policy or the notice of renewal or nonrenewal.

(c) Any policy written for a term of less than one year shall be considered as if written for a term of one year. A policy written for a term longer than one year, or a policy with no fixed expiration date, shall be considered as if written for successive policy periods or terms of one year.

(d) This section applies only to policies of insurance specified in Section 675.

SEC. 3. Section 900.3 is added to the Insurance Code, to read:

900.3. (a) An insurer or group of insurers doing business in this state shall establish an internal audit function to provide independent, objective, and reasonable assurance to the insurer's audit committee and management regarding the insurer's governance, risk management, and internal controls. This assurance shall be provided by performing general and specific audits, reviews, and tests, and by employing other techniques deemed necessary to protect assets, evaluate control effectiveness and efficiency, and evaluate compliance with policies and regulations.

(b) The audit committee of an insurer or group of insurers shall be responsible for overseeing the insurer's internal audit function and granting the person or persons performing the internal audit function suitable authority and resources to fulfill the responsibilities required by this section.

(c) To ensure that an internal auditor remains objective, the internal audit function shall be organizationally independent. Organizational independence does not preclude dual-reporting relationships. The internal audit function shall not defer ultimate judgment on audit matters to others.

(d) (1) An individual shall be appointed to head the internal audit function, and shall have direct and unrestricted access to the insurer's board of directors or audit committee.

(2) The head of the internal audit function shall report to the insurer's audit committee regularly, but not less than annually, regarding all of the following:

(A) The periodic audit plan.

(B) Factors that may adversely impact the internal audit function's independence or effectiveness.

(C) Material findings from completed audits.

(D) The appropriateness of corrective actions implemented by management as a result of audit findings.

(e) If an insurer is a member of an insurance holding company system or a group of insurers, the insurer may comply with this section at the ultimate controlling parent level, an intermediate holding company level, or the individual legal entity level.

(f) This section shall not apply to an insurer if either of the following apply:

(1) The insurer has annual direct written and unaffiliated assumed premium of less than five hundred million dollars (\$500,000,000), including international direct and assumed premium, but excluding premiums reinsured with the Federal Crop Insurance Corporation and National Flood Insurance Program.

(2) The insurer is a member of a group of insurers, and the group of insurers has annual direct written and unaffiliated assumed premium of less than one billion dollars (\$1,000,000,000), including international direct and assumed premium, but excluding premiums reinsured with the Federal Crop Insurance Corporation and National Flood Insurance Program.

(g) For purposes of this section, "internal audit function" means a person or persons that provide independent, objective, and reasonable assurance designed to add value, improve an organization's operations, and accomplish an organization's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

SEC. 4. Section 922.41 of the Insurance Code is amended to read:

922.41. (a) Credit shall be allowed a domestic insurer when the reinsurance is ceded to an assuming insurer that has been certified by the commissioner as a reinsurer in this state and secures its obligations in accordance with this section. Credit shall be allowed at all times for which statutory financial statement credit for reinsurance is claimed under this section. The credit allowed shall be based upon the security held by or on behalf of the ceding insurer in accordance with a rating assigned to the

certified reinsurer by the commissioner. The security shall be in a form consistent with this section, any regulations promulgated by the commissioner, and Section 922.5.

(b) In order to be eligible for certification, the assuming insurer shall meet the following requirements:

(1) The assuming insurer shall be domiciled and licensed to transact insurance or reinsurance in a qualified jurisdiction, as determined by the commissioner pursuant to subdivisions (f) and (g).

(2) The assuming insurer shall maintain minimum capital and surplus, or its equivalent, in an amount to be determined by the commissioner, but no less than two hundred fifty million dollars (\$250,000,000) calculated in accordance with paragraph (4) of subdivision (f) of this section or Section 922.5. This requirement may also be satisfied by an association including incorporated and individual unincorporated underwriters having minimum capital and surplus equivalents (net of liabilities) of at least two hundred fifty million dollars (\$250,000,000) and a central fund containing a balance of at least two hundred fifty million dollars (\$250,000,000).

(3) The assuming insurer shall maintain financial strength ratings from two or more rating agencies deemed acceptable by the commissioner. These ratings shall be based on interactive communication between the rating agency and the assuming insurer and shall not be based solely on publicly available information. These financial strength ratings will be one factor used by the commissioner in determining the rating that is assigned to the assuming insurer. Acceptable rating agencies include the following:

(A) Standard & Poor's.

(B) Moody's Investors Service.

(C) Fitch Ratings.

(D) A.M. Best Company.

(E) Any other nationally recognized statistical rating organization.

(4) The assuming insurer shall agree to submit to the jurisdiction of this state, appoint the commissioner or a designated attorney in this state as its agent for service of process in this state, and agree to provide security for 100 percent of the assuming insurer's liabilities attributable to reinsurance ceded by United States ceding insurers if it resists enforcement of a final United States judgment.

(5) The assuming insurer shall agree to meet applicable information filing requirements as determined by the commissioner, both with respect to an initial application for certification and on an ongoing basis.

(6) The certified reinsurer shall comply with any other requirements deemed relevant by the commissioner.

(c) (1) If an applicant for certification has been certified as a reinsurer in a National Association of Insurance Commissioners (NAIC) accredited jurisdiction, the commissioner may defer to that jurisdiction's certification, and has the discretion to defer to the rating assigned by that jurisdiction if the assuming insurer submits a properly executed Form CR-1, as published on the department's internet website, and additional information as the commissioner requires. The commissioner, however, may perform an independent review and determination of an applicant. The assuming insurer shall then be considered to be a certified reinsurer in this state.

(2) If the commissioner defers to a certification determination by another state, a change in the certified reinsurer's status or rating in the other jurisdiction shall apply automatically in this state as of the date it takes effect in the other jurisdiction unless the commissioner otherwise determines. The certified reinsurer shall notify the commissioner of a change in its status or rating within 10 days after receiving notice of the change.

(3) The commissioner may withdraw recognition of the other jurisdiction's rating at any time and assign a new rating in accordance with subdivision (h).

(4) The commissioner may withdraw recognition of the other jurisdiction's certification at any time, with written notice to the certified reinsurer. Unless the commissioner suspends or revokes the certified reinsurer's certification in accordance with this section and Section 922.42, the certified reinsurer's certification shall remain in good standing in this state for a period of three months, which shall be extended if additional time is necessary to consider the assuming insurer's application for certification in this state.

(d) An association, including incorporated and individual unincorporated underwriters, may be a certified reinsurer. In order to be eligible for certification, in addition to satisfying requirements of subdivision (b), the reinsurer shall meet all of the following requirements:

(1) The association shall satisfy its minimum capital and surplus requirements through the capital and surplus equivalents (net of liabilities) of the association and its members, which shall include a joint central fund that may be applied to an unsatisfied obligation of the association or any of its members, in an amount determined by the commissioner to provide adequate protection.

(2) The incorporated members of the association shall not be engaged in any business other than underwriting as a member of the association and shall be subject to the same level of regulation and solvency control by the association's domiciliary regulator as are the unincorporated members.

(3) Within 90 days after its financial statements are due to be filed with the association's domiciliary regulator, the association shall provide to the commissioner an annual certification by the association's domiciliary regulator of the solvency of each underwriter member or, if a certification is unavailable, financial statements, prepared by independent public accountants, of each underwriter member of the association.

(e) (1) The commissioner shall post notice on the department's internet website promptly upon receipt of an application for certification, including instructions on how members of the public may respond to the application. The commissioner shall not take final action on the application until at least 30 days after posting the notice required by this subdivision.

(2) The commissioner shall issue written notice to an assuming insurer that has made application and has been approved as a certified reinsurer. Included in that notice shall be the rating assigned the certified reinsurer in accordance with subdivision (h). The commissioner shall publish a list of all certified reinsurers and their ratings.

(f) The certified reinsurer shall agree to meet applicable information filing requirements as determined by the commissioner, both with respect to an initial application for certification and on an ongoing basis. All information submitted by certified reinsurers that is not otherwise public information subject to disclosure shall be exempted from disclosure under Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code, and shall be withheld from public disclosure. The applicable information filing requirements are as follows:

(1) Notification within 10 days of a regulatory action taken against the certified reinsurer, a change in the provisions of its domiciliary license, or a change in rating by an approved rating agency, including a statement describing those changes and the reasons for those changes.

(2) Annually, Form CR-F or CR-S, as applicable pursuant to the instructions published on the department's internet website.

(3) Annually, the report of the independent auditor on the financial statements of the insurance enterprise, on the basis described in paragraph (4).

(4) Annually, audited financial statements, (audited United States Generally Accepted Accounting Principles basis, if available, audited International Financial Reporting Standards basis statements are allowed, but must include an audited footnote reconciling equity and net income to a United States Generally Accepted Accounting Principles basis, or, with the written permission of the commissioner, audited International Financial Reporting Standards statements with reconciliation to United States Generally Accepted Accounting Principles certified by an officer of the company), regulatory filings, and actuarial opinion (as filed with the certified reinsurer's supervisor). Upon the initial certification, audited financial statements for the last three years filed with the certified reinsurer's supervisor.

(5) At least annually, an updated list of all disputed and overdue reinsurance claims regarding reinsurance assumed from United States domestic ceding insurers.

(6) A certification from the certified reinsurer's domestic regulator that the certified reinsurer is in good standing and maintains capital in excess of the jurisdiction's highest regulatory action level.

(7) Any other information that the commissioner may reasonably require.

(g) If the commissioner certifies a non-United States domiciled insurer, the commissioner shall create and publish a list of qualified jurisdictions, under which an assuming insurer licensed and domiciled in that jurisdiction is eligible to be considered for certification by the commissioner as a certified reinsurer.

(1) In order to determine whether the domiciliary jurisdiction of a non-United States assuming insurer is eligible to be recognized as a qualified jurisdiction, the commissioner shall evaluate the appropriateness and effectiveness of the reinsurance supervisory system of the jurisdiction, both initially and on an ongoing basis, and consider the rights, benefits, and the extent of reciprocal recognition afforded by the non-United States jurisdiction to reinsurers licensed and domiciled in the United States. The commissioner shall determine the appropriate process for evaluating the qualifications of those jurisdictions. Before its listing, a qualified jurisdiction shall agree in writing to share information and cooperate with the commissioner with respect to all certified reinsurers domiciled within that jurisdiction. A jurisdiction may not be recognized as a qualified jurisdiction if the

commissioner has determined that the jurisdiction does not adequately and promptly enforce final United States judgments and arbitration awards. Additional factors may be considered in the discretion of the commissioner, including, but not limited to, the following:

- (A) The framework under which the assuming insurer is regulated.
- (B) The structure and authority of the domiciliary regulator with regard to solvency regulation requirements and financial surveillance.
- (C) The substance of financial and operating standards for assuming insurers in the domiciliary jurisdiction.
- (D) The form and substance of financial reports required to be filed or made publicly available by reinsurers in the domiciliary jurisdiction and the accounting principles used.
- (E) The domiciliary regulator's willingness to cooperate with United States regulators in general and the commissioner in particular.
- (F) The history of performance by assuming insurers in the domiciliary jurisdiction.
- (G) Any documented evidence of substantial problems with the enforcement of final United States judgments in the domiciliary jurisdiction.
- (H) Any relevant international standards or guidance with respect to mutual recognition of reinsurance supervision adopted by the International Association of Insurance Supervisors or a successor organization.
- (I) Any other matters deemed relevant by the commissioner.

(2) The commissioner shall consider the list of qualified jurisdictions published through the NAIC committee process in determining qualified jurisdictions. The commissioner may include on the list published pursuant to this section any jurisdiction on the NAIC list of qualified jurisdictions or on any equivalent list of the United States Treasury.

(3) If the commissioner approves a jurisdiction as qualified that does not appear on either the NAIC list of qualified jurisdictions, or the United States Treasury list, the commissioner shall provide thoroughly documented justification in accordance with criteria to be developed under this section.

(4) United States jurisdictions that meet the requirements for accreditation under the NAIC financial standards and accreditation program shall be recognized as qualified jurisdictions.

(5) If a certified reinsurer's domiciliary jurisdiction ceases to be a qualified jurisdiction, the commissioner has the discretion to suspend the reinsurer's certification indefinitely, in lieu of revocation.

(h) The commissioner shall assign a rating to each certified reinsurer, giving due consideration to the financial strength ratings that have been assigned by rating agencies deemed acceptable to the commissioner pursuant to this section. The commissioner shall publish a list of all certified reinsurers and their ratings.

(1) Each certified reinsurer shall be rated on a legal entity basis, with due consideration being given to the group rating where appropriate, except that an association including incorporated and individual unincorporated underwriters that has been approved to do business as a single certified reinsurer may be evaluated on the basis of its group rating. Factors that may be considered as part of the evaluation process include, but are not limited to, the following:

(A) The certified reinsurer's financial strength rating from an acceptable rating agency. The maximum rating that a certified reinsurer may be assigned shall correspond to its financial strength rating as set forth in clauses (i) to (vi), inclusive. The commissioner shall use the lowest financial strength rating received from an approved rating agency in establishing the maximum rating of a certified reinsurer. A failure to obtain or maintain at least two financial strength ratings from acceptable rating agencies shall result in loss of eligibility for certification.

(i) Ratings category "Secure - 1" corresponds to A.M. Best Company rating A++; Standard & Poor's rating AAA; Moody's Investors Service rating Aaa; and Fitch Ratings rating AAA.

(ii) Ratings category "Secure - 2" corresponds to A.M. Best Company rating A+; Standard & Poor's rating AA+, AA, or AA-; Moody's Investors Service rating Aa1, Aa2, or Aa3; and Fitch Ratings rating AA+, AA, or AA-.

(iii) Ratings category "Secure - 3" corresponds to A.M. Best Company rating A; Standard & Poor's rating A+ or A; Moody's Investors Service rating A1 or A2; and Fitch Ratings rating A+ or A.

(iv) Ratings category "Secure - 4" corresponds to A.M. Best Company rating A-; Standard & Poor's rating A-; Moody's Investors Service rating A3; and Fitch Ratings rating A-.

(v) Ratings category "Secure - 5" corresponds to A.M. Best Company rating B++ or B+; Standard & Poor's rating BBB+, BBB, or BBB-; Moody's Investors Service rating Baa1, Baa2, or Baa3; and Fitch Ratings rating BBB+, BBB, or BBB-.

(vi) Ratings category "Vulnerable - 6" corresponds to A.M. Best Company rating B, B-, C++, C+, C, C-, D, E, or F; Standard & Poor's rating BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, or R; Moody's Investors Service rating Ba1, Ba2, Ba3, B1, B2, B3, Caa, Ca, or C; and Fitch Ratings rating BB+, BB, BB-, B+, B, B-, CCC+, CC, CCC-, or DD.

(B) The business practices of the certified reinsurer in dealing with its ceding insurers, including its record of compliance with reinsurance contractual terms and obligations.

(C) For certified reinsurers domiciled in the United States, a review of the most recent applicable NAIC Annual Statement Blank, either Schedule F (for property/casualty reinsurers) or Schedule S (for life and health reinsurers).

(D) For certified reinsurers not domiciled in the United States, a review annually of Form CR-F (for property/casualty reinsurers) or Form CR-S (for life and health reinsurers) (as published on the department's internet website).

(E) The reputation of the certified reinsurer for prompt payment of claims under reinsurance agreements, based on an analysis of ceding insurers' Schedule F reporting of overdue reinsurance recoverables, including the proportion of obligations that are more than 90 days past due or are in dispute, with specific attention given to obligations payable to companies that are in administrative supervision or receivership.

(F) Regulatory actions against the certified reinsurer.

(G) The report of the independent auditor on the financial statements of the insurance enterprise, on the basis described in subparagraph (H).

(H) For certified reinsurers not domiciled in the United States, audited financial statements, (audited United States Generally Accepted Accounting Principles basis, if available, audited International Financial Reporting Standards basis statements are allowed, but must include an audited footnote reconciling equity and net income to a United States Generally Accepted Accounting Principles basis, or, with the written permission of the commissioner, audited International Financial Reporting Standards statements with reconciliation to United States Generally Accepted Accounting Principles certified by an officer of the company), regulatory filings, and actuarial opinion (as filed with the non-United States jurisdiction supervisor). Upon the initial application for certification, the commissioner shall consider audited financial statements for the last three years filed with its non-United States jurisdiction supervisor.

(I) The liquidation priority of obligations to a ceding insurer in the certified reinsurer's domiciliary jurisdiction in the context of an insolvency proceeding.

(J) A certified reinsurer's participation in a solvent scheme of arrangement, or similar procedure, that involves United States ceding insurers. The commissioner shall receive prior notice from a certified reinsurer that proposes participation by the certified reinsurer in a solvent scheme of arrangement.

(K) Any other information deemed relevant by the commissioner.

(2) Based on the analysis conducted under subparagraph (E) of paragraph (1) of a certified reinsurer's reputation for prompt payment of claims, the commissioner may make appropriate adjustments in the security the certified reinsurer is required to post to protect its liabilities to United States ceding insurers, provided that the commissioner shall, at a minimum, increase the security the certified reinsurer is required to post by one rating level under regulations promulgated by the commissioner, if the commissioner finds either of the following:

(A) More than 15 percent of the certified reinsurer's ceding insurance clients have overdue reinsurance recoverables on paid losses of 90 days or more that are not in dispute and that exceed one hundred thousand dollars (\$100,000) for each ceding insurer.

(B) The aggregate amount of reinsurance recoverables on paid losses that are not in dispute and that are overdue by 90 days or more exceeds fifty million dollars (\$50,000,000).

(3) The assuming insurer shall submit a properly executed Form CR-1, as published on the department's internet website, as evidence of its submission to the jurisdiction of this state, appointment of the commissioner as an agent for service of process in this state, and agreement to provide security for 100 percent of the assuming insurer's liabilities attributable to reinsurance ceded by United States ceding insurers if it resists enforcement of a final United States judgment. The commissioner shall not

certify an assuming insurer that is domiciled in a jurisdiction that the commissioner has determined does not adequately and promptly enforce final United States judgments or arbitration awards.

(4) (A) In the case of a downgrade by a rating agency or other disqualifying circumstance, the commissioner shall, upon written notice, assign a new rating to the certified reinsurer in accordance with the requirements of this subdivision.

(B) The commissioner shall have the authority to suspend, revoke, or otherwise modify a certified reinsurer's certification at any time if the certified reinsurer fails to meet its obligations or security requirements under this section, or if other financial or operating results of the certified reinsurer, or documented significant delays in payment by the certified reinsurer, lead the commissioner to reconsider the certified reinsurer's ability or willingness to meet its contractual obligations.

(C) If the rating of a certified reinsurer is upgraded by the commissioner, the certified reinsurer may meet the security requirements applicable to its new rating on a prospective basis, but the commissioner shall require the certified reinsurer to post security under the previously applicable security requirements as to all contracts in force on or before the effective date of the upgraded rating. If the rating of a certified reinsurer is downgraded by the commissioner, the commissioner shall require the certified reinsurer to meet the security requirements applicable to its new rating for all business it has assumed as a certified reinsurer.

(D) Upon revocation of the certification of a certified reinsurer by the commissioner, the assuming insurer shall be required to post security in accordance with Section 922.5 in order for the ceding insurer to continue to take credit for reinsurance ceded to the assuming insurer. If funds continue to be held in trust in accordance with subdivision (d) of Section 922.4, the commissioner may allow additional credit equal to the ceding insurer's pro rata share of those funds, discounted to reflect the risk of uncollectibility and anticipated expenses of trust administration. Notwithstanding the change of a certified reinsurer's rating or revocation of its certification, a domestic insurer that has ceded reinsurance to that certified reinsurer shall not be denied credit for reinsurance for a period of three months for all reinsurance ceded to that certified reinsurer, unless the reinsurance is found by the commissioner to be at high risk of uncollectibility.

(i) A certified reinsurer shall secure obligations assumed from United States ceding insurers under this subdivision at a level consistent with its rating. The amount of security required in order for full credit to be allowed shall correspond with the following requirements:

Ratings security required

Secure - 1: 0 percent

Secure - 2: 10 percent

Secure - 3: 20 percent

Secure - 4: 50 percent

Secure - 5: 75 percent

Vulnerable - 6: 100 percent

(1) In order for a domestic ceding insurer to qualify for full financial statement credit for reinsurance ceded to a certified reinsurer, the certified reinsurer shall maintain security in a form acceptable to the commissioner and consistent with Section 922.5, or in a multibeneficiary trust in accordance with subdivision (d) of Section 922.4, except as otherwise provided in this subdivision. In order for a domestic insurer to qualify for full financial statement credit, reinsurance contracts entered into or renewed under this section shall include a proper funding clause that requires the certified reinsurer to provide and maintain security in an amount sufficient to avoid the imposition of a financial statement penalty on the ceding insurer under this section for reinsurance ceded to the certified reinsurer.

(2) If a certified reinsurer maintains a trust to fully secure its obligations subject to subdivision (d) of Section 922.4, and chooses to secure its obligations incurred as a certified reinsurer in the form of a multibeneficiary trust, the certified reinsurer shall maintain separate trust accounts for its obligations incurred under reinsurance agreements issued or renewed as a certified reinsurer with reduced security as permitted by this subdivision or comparable laws of other United States jurisdictions and for its obligations subject to subdivision (d) of Section 922.4. It shall be a condition to the grant of certification under this section that the certified reinsurer shall have bound itself, by the language of the trust and agreement with the commissioner with principal regulatory oversight of each of those trust accounts, to fund, upon termination of any of those trust accounts, out of the remaining surplus of those trusts any deficiency of any other of those trust accounts.

(3) The minimum trusteed surplus requirements provided in subdivision (d) of Section 922.4 are not applicable with respect to a multibeneficiary trust maintained by a certified reinsurer for the purpose of securing obligations incurred under this subdivision,

except that the trust shall maintain a minimum trusteed surplus of ten million dollars (\$10,000,000).

(4) With respect to obligations incurred by a certified reinsurer under this subdivision, if the security is insufficient, the commissioner shall reduce the allowable credit by an amount proportionate to the deficiency, and have the discretion to impose further reductions in allowable credit upon finding that there is a material risk that the certified reinsurer's obligations will not be paid in full when due.

(5) For purposes of this subdivision, a certified reinsurer whose certification has been terminated for any reason shall be treated as a certified reinsurer required to secure 100 percent of its obligations.

(A) As used in this subdivision, the term "terminated" means revocation, suspension, voluntary surrender, and inactive status.

(B) If the commissioner continues to assign a higher rating as permitted by other provisions of this section, this requirement shall not apply to a certified reinsurer in inactive status or to a reinsurer whose certification has been suspended.

(6) The commissioner shall require the certified reinsurer to post 100-percent security in accordance with Section 922.5, for the benefit of the ceding insurer or its estate, upon the entry of an order of rehabilitation, liquidation, or conservation against the ceding insurer.

(7) Affiliated reinsurance transactions shall receive the same opportunity for reduced security requirements as all other reinsurance transactions.

(8) In order to facilitate the prompt payment of claims, a certified reinsurer shall not be required to post security for catastrophe recoverables for a period of one year from the date of the first instance of a liability reserve entry by the ceding company as a result of a loss from a catastrophic occurrence that is likely to result in significant insured losses, as recognized by the commissioner. The one-year deferral period is contingent upon the certified reinsurer continuing to pay claims in a timely manner, as determined by the commissioner, in writing. Reinsurance recoverables for only the following lines of business as reported on the NAIC annual financial statement related specifically to the catastrophic occurrence shall be included in the deferral:

(A) Line 1: Fire.

(B) Line 2: Allied lines.

(C) Line 3: Farmowners' multiple peril.

(D) Line 4: Homeowners' multiple peril.

(E) Line 5: Commercial multiple peril.

(F) Line 9: Inland marine.

(G) Line 12: Earthquake.

(H) Line 21: Auto physical damage.

(9) Credit for reinsurance under this section shall apply only to reinsurance contracts entered into or renewed on or after the effective date of the certification of the assuming insurer. A reinsurance contract entered into before the effective date of the certification of the assuming insurer that is subsequently amended by mutual agreement of the parties to the reinsurance contract after the effective date of the certification of the assuming insurer, or a new reinsurance contract, covering a risk for which collateral was provided previously, shall only be subject to this section with respect to losses incurred and reserves reported from and after the effective date of the amendment or new contract.

(10) This section shall not be construed to prohibit the parties to a reinsurance agreement from agreeing to provisions establishing security requirements that exceed the minimum security requirements established for certified reinsurers under this section.

(j) A certified reinsurer that ceases to assume new business in this state may request to maintain its certification in inactive status in order to continue to qualify for a reduction in security for its in-force business. An inactive certified reinsurer shall continue to comply with all applicable requirements of this section, and the commissioner shall assign a rating that takes into account, if relevant, the reasons why the reinsurer is not assuming new business.

(k) Notwithstanding this section, credit for reinsurance or deduction from liability by a domestic ceding insurer for cessions to a certified reinsurer may be disallowed upon a finding by the commissioner that the application of the literal provisions of this

section does not accomplish its intent, or either the financial condition of the reinsurer or the collateral or other security provided by the reinsurer does not, in substance, satisfy the credit for reinsurance requirements in Section 922.4.

SEC. 5. Section 1215.8 of the Insurance Code is amended to read:

1215.8. (a) All information, documents, and copies thereof obtained by or disclosed to the commissioner or any other person in the course of an examination or investigation made pursuant to Section 1215.4, 1215.5, 1215.6, 1215.7, or 1215.75, and all information reported or provided pursuant to Section 1215.4, 1215.5, 1215.6, 1215.7, or 1215.75 shall be kept confidential, is not subject to disclosure by the commissioner pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), is not subject to subpoena, and is not subject to discovery from the commissioner or admissible into evidence in a private civil action if obtained from the commissioner. This information shall not be made public by the commissioner or any other person, except to insurance departments of other states, without the prior written consent of the insurance company to which it pertains, unless the commissioner, after giving the insurer and its affiliates who would be affected thereby notice and opportunity to be heard, determines that the interests of policyholders, shareholders, or the public will be served by the publication of the information, in which event the commissioner may publish all or any part of the information in a manner as the commissioner may deem appropriate.

(b) In order to assist in the performance of the commissioner's duties, the commissioner:

(1) May, upon request, be required to share documents, materials, or other information, including the confidential and privileged documents, materials, or information subject to subdivision (a), with other state, federal, and international regulatory agencies, with the NAIC and its affiliates and subsidiaries, and with state, federal, and international law enforcement authorities, including members of any supervisory college described in Section 1215.7, provided that the recipient agrees in writing to maintain the confidentiality and privileged status of the documents, materials, or other information, and has verified in writing the legal authority to maintain confidentiality.

(2) Notwithstanding paragraph (1), may only share confidential and privileged documents, materials, or information reported pursuant to subdivision (m) of Section 1215.4 with commissioners of states having statutes or regulations substantially similar to subdivision (a) and who have agreed in writing not to disclose the information.

(3) May receive documents, materials, or information, including otherwise confidential and privileged documents, materials, or information, from the NAIC and its affiliates and subsidiaries and from regulatory and law enforcement officials of other foreign or domestic jurisdictions, and shall maintain as confidential or privileged any documents, materials, or information received with notice or the understanding that it is confidential or privileged under the laws of the jurisdiction that is the source of the documents, materials, or information.

(4) May enter into written agreements with the NAIC governing sharing and use of information provided pursuant to this subdivision consistent with this subdivision that shall do the following:

(A) Specify procedures and protocols regarding the confidentiality and security of information shared with the NAIC and its affiliates and subsidiaries pursuant to this subdivision, including procedures and protocols for sharing by the NAIC with other state, federal, or international regulators.

(B) Specify that ownership of information shared with the NAIC and its affiliates and subsidiaries pursuant to this subdivision remains with the commissioner and the NAIC's use of the information is subject to the direction of the commissioner.

(C) Require prompt notice to be given to an insurer whose confidential information in the possession of the NAIC pursuant to this subdivision is subject to a request or subpoena to the NAIC for disclosure or production.

(D) Require the NAIC and its affiliates and subsidiaries to consent to intervention by an insurer in any judicial or administrative action in which the NAIC and its affiliates and subsidiaries may be required to disclose confidential information about the insurer shared with the NAIC and its affiliates and subsidiaries pursuant to this subdivision.

(c) The sharing of information by the commissioner pursuant to subdivision (b) shall not constitute a delegation of regulatory authority or rulemaking, and the commissioner is solely responsible for the administration, execution, and enforcement of the provisions of this article.

(d) A waiver of any applicable privilege or claim of confidentiality in the documents, materials, or information shall not occur as a result of disclosure to the commissioner under this section or as a result of sharing as authorized in subdivision (b).

(e) Documents, materials, or other information filed in the possession or control of the NAIC pursuant to this subdivision shall be confidential by law and privileged, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action.

SEC. 6. Section 1726 of the Insurance Code is amended to read:

1726. (a) A person who is licensed in this state as an insurance agent or broker, advertises insurance on the internet, and transacts insurance in this state, shall identify all of the following information on the internet, regardless of whether the insurance agent or broker maintains the internet presence or if the presence is maintained on the person's behalf:

- (1) The person's name as filed with the commissioner that has not been disapproved pursuant to Section 1724.5.
- (2) The person's state of domicile and principal place of business.
- (3) The person's license number.

(b) A person shall be deemed to be transacting insurance in this state when the person advertises on the internet regardless of whether the insurance agent or broker maintains the internet presence or if it is maintained on the person's behalf, and does any of the following:

- (1) Provides an insurance premium quote to a California resident.
- (2) Accepts an application for coverage from a California resident.
- (3) Communicates with a California resident regarding one or more terms of an agreement to provide insurance or an insurance policy.

(c) This section shall become inoperative on July 1, 2020, and, as of January 1, 2021, is repealed.

SEC. 7. Section 1726 is added to the Insurance Code, to read:

1726. (a) A person who is licensed in this state as an insurance agent or broker, advertises insurance on the internet, and transacts insurance in this state, shall identify all of the following information in the same size type on the person's internet website home page or in a prominently displayed link from the home page, regardless of whether the insurance agent or broker maintains the internet presence or if the presence is maintained on the person's behalf:

- (1) The person's name as filed with the commissioner that has not been disapproved pursuant to Section 1724.5.
- (2) The person's state of domicile and principal place of business.
- (3) The person's California insurance license number.
- (4) The word "insurance."

(b) A person shall be deemed to be transacting insurance in this state when the person advertises on the internet, regardless of whether the insurance agent or broker maintains the internet presence or if it is maintained on the person's behalf, and does any of the following:

- (1) Solicits a California resident.
- (2) Provides an insurance premium quote to a California resident.
- (3) Accepts an application for coverage from a California resident.
- (4) Communicates with a California resident regarding one or more terms of an agreement to provide insurance or an insurance policy.
- (5) Enters into negotiations before executing an insurance contract with a California resident.
- (6) Executes an insurance contract with a California resident.
- (7) Transacts matters after executing an insurance contract with a California resident that arise out of that contract.

(c) This section shall become operative on July 1, 2020.

SEC. 8. Section 1746 of the Insurance Code is repealed.

SEC. 9. Section 1764.1 of the Insurance Code is amended to read:

1764.1. (a) (1) Every nonadmitted insurer, in the case of insurance to be purchased by a home state insured pursuant to Section 1760, and surplus line broker, in the case of any insurance with a nonadmitted carrier for a home state insured to be transacted by the surplus line broker, shall be responsible to ensure that, at the time of accepting an application for an insurance policy, other than a renewal of that policy, issued by a nonadmitted insurer, the signature of the applicant on the disclosure statement set forth in subdivision (b) is obtained. In fulfillment of this responsibility, the nonadmitted insurer and the surplus line broker may rely, if it is reasonable under all the circumstances to do so, on the disclosure statement received from a licensee involved in the transaction as prima facie evidence that the disclosure statement and appropriate signature from the applicant have been obtained. The surplus line broker shall maintain a copy of the signed disclosure statement in the broker's records for a period of at least five years. These records shall be made available to the commissioner and the insured upon request. This disclosure shall be signed by the applicant, and is not subject to a limited power of attorney agreement between the applicant and an agent or broker or a surplus line broker. The disclosure statement shall be in boldface 16-point type on a freestanding document. In addition, every policy issued by a nonadmitted insurer and every certificate evidencing the placement of insurance shall contain, or have affixed to it by the insurer or surplus line broker, the disclosure statement set forth in subdivision (b) in boldface 16-point type on the front page of the policy.

(2) In a case in which the applicant has not received and completed the signed disclosure form required by this section, the applicant may cancel the insurance so placed. The cancellation shall be on a pro rata basis as to premium, and the applicant shall be entitled to the return of any broker's fees charged for the placement.

(b) The following notice shall be provided to home state insureds and home state insured applicants for insurance as provided by subdivision (a), and shall be printed in English and in the language principally used by the surplus line broker and nonadmitted insurer to advertise, solicit, or negotiate the sale and purchase of surplus line insurance. The surplus line broker and nonadmitted insurer shall use the appropriate bracketed language for application and issued policy disclosures:

"IMPORTANT NOTICE:

1. The insurance policy that you [have purchased] [are applying to purchase] is being issued by an insurer that is not licensed by the State of California. These companies are called "nonadmitted" or "surplus line" insurers.
2. The insurer is not subject to the financial solvency regulation and enforcement that apply to California licensed insurers.
3. The insurer does not participate in any of the insurance guarantee funds created by California law. Therefore, these funds will not pay your claims or protect your assets if the insurer becomes insolvent and is unable to make payments as promised.
4. The insurer should be licensed either as a foreign insurer in another state in the United States or as a non-United States (alien) insurer. You should ask questions of your insurance agent, broker, or "surplus line" broker or contact the California Department of Insurance at the toll-free number 1-800-927-4357 or internet website www.insurance.ca.gov. Ask whether or not the insurer is licensed as a foreign or non-United States (alien) insurer and for additional information about the insurer. You may also visit the NAIC's internet website at www.naic.org. The NAIC—the National Association of Insurance Commissioners—is the regulatory support organization created and governed by the chief insurance regulators in the United States.
5. Foreign insurers should be licensed by a state in the United States and you may contact that state's department of insurance to obtain more information about that insurer. You can find a link to each state from this NAIC internet website: https://naic.org/state_web_map.htm.
6. For non-United States (alien) insurers, the insurer should be licensed by a country outside of the United States and should be on the NAIC's International Insurers Department (IID) listing of approved nonadmitted non-United States insurers. Ask your agent, broker, or "surplus line" broker to obtain more information about that insurer.
7. California maintains a "List of Approved Surplus Line Insurers (LASLI)." Ask your agent or broker if the insurer is on that list, or view that list at the internet website of the California Department of Insurance: www.insurance.ca.gov/01-consumers/120-company/07-lasli/lasli.cfm.
8. If you, as the applicant, required that the insurance policy you have purchased be effective immediately, either because existing coverage was going to lapse within two business days or because you were required to have coverage within two business days, and you did not receive this disclosure form and a request for your signature until after coverage became effective, you have the right to cancel this policy within five days of receiving this disclosure. If you cancel coverage, the premium will be prorated and any broker's fee charged for this insurance will be returned to you."

(c) When a contract is issued to an industrial insured, neither the nonadmitted insurer nor the surplus line broker is required to provide the notice required in this section except on the confirmation of insurance, the certificate of placement, or the policy, whichever is first provided to the insured, nor is the insurer or surplus line broker required to obtain the insured's signature. The

producer shall ensure that the notice affixed to the confirmation of insurance, certificate of placement, or the policy is provided to the insured. The producer shall insert the current toll-free telephone number of the Department of Insurance as provided in paragraph 4 of the notice.

(1) An industrial insured is an insured that does both of the following:

(A) Employs at least 25 employees on average during the prior 12 months.

(B) Has aggregate annual premiums for insurance for all risks other than workers' compensation and health coverage totaling no less than twenty-five thousand dollars (\$25,000) or obtains insurance through the services of a full-time employee acting as an insurance manager or a continuously retained insurance consultant. A "continuously retained insurance consultant" does not include: (i) an agent or broker through whom the insurance is being placed, (ii) a subagent or subproducer involved in the transaction, or (iii) an agent or broker that is a business organization employing or contracting with a person mentioned in clauses (i) and (ii).

(2) The surplus line broker shall be responsible for ensuring that the applicant is an industrial insured. A surplus line broker who reasonably relies on information provided in good faith by the applicant, whether directly or through the producer, shall be deemed to be in compliance with this requirement.

(d) For purposes of compliance with the requirement of subdivision (a) that the signature of the applicant be obtained, the following shall apply:

(1) If the insurance transaction is not conducted at an in-person, face-to-face meeting, the applicant's signature on the disclosure form may be transmitted by the applicant to the agent or broker via facsimile or comparable electronic transmittal.

(2) In the case of commercial lines coverage, or personal insurance coverage subject to Section 675 and any umbrella coverage associated therewith, where an applicant requires that insurance coverage be bound immediately, either because existing coverage will lapse within two business days of the time the insurance is bound or because the applicant is required to have coverage in place within two business days, and the applicant cannot meet in person with the agent or broker to sign the disclosure form, the agent or broker may obtain the signature of the applicant within five days of binding coverage, provided that the applicant may cancel the insurance so placed within five days of receiving the disclosure form from the agent or broker. The cancellation shall be on a pro rata basis, and the applicant shall be entitled to the rescission or return of any broker's fees charged for the placement. When a policy is canceled, the broker shall inform the applicant that the broker's fee must be returned and that the premium must be prorated.

(e) Notwithstanding subdivision (a), this section shall not apply to insurance issued or delivered in this state by a nonadmitted Mexican insurer by and through a surplus line broker affording coverage exclusively in the Republic of Mexico on property located temporarily or permanently in, or operations conducted temporarily or permanently within, the Republic of Mexico.

SEC. 10. Section 10086 of the Insurance Code is amended to read:

10086. (a) If an offer of earthquake coverage, made pursuant to Section 10081, is accepted, the coverage shall be continued at the applicable rates and conditions for the policy term, provided the policy of residential property insurance is not terminated by the named insured or insurer.

(1) At any renewal, an insurer may modify the terms and conditions of an existing policy, rider, or endorsement providing coverage against loss or damage caused by the peril of earthquake if the modified terms and conditions provide the minimum coverages required by Section 10089.

(2) If the modification referenced in paragraph (1) reduces or substantially differs from the coverage previously provided, an insurer shall provide the insured with the renewal offer required by Section 10083 and a stand-alone document stating the changes in the terms and conditions of the insured's existing policy, rider, or endorsement.

(A) Before July 1, 2020, the stand-alone document shall include the following statement in 14-point boldface type:

"THE COVERAGE IN THE POLICY WE ARE OFFERING YOU WITH THIS RENEWAL HAS BEEN REDUCED, AND SUBSTANTIALLY DIFFERS FROM THE COVERAGES PROVIDED BY YOUR HOMEOWNERS' POLICY. INSURANCE COMPANIES ARE ALLOWED TO RENEW EARTHQUAKE INSURANCE POLICIES WITH COVERAGE THAT IS REDUCED FROM THE COVERAGE YOU PREVIOUSLY PURCHASED. YOU MAY REQUEST A SAMPLE COPY OF THIS NEW POLICY TO REVIEW PRIOR TO MAKING A DECISION TO ACCEPT THIS RENEWAL, AND WE WILL MAIL OR DELIVER IT TO YOU WITHIN 14 DAYS OF YOUR REQUEST. A REQUEST FOR THE SAMPLE COPY SHALL NOT CHANGE OR EXTEND THE

POLICY EXPIRATION DATE SPECIFIED IN THE RENEWAL NOTICE. A SUMMARY OF THE CHANGES IS INCLUDED WITH THIS NOTICE.”

(B) On and after July 1, 2020, the stand-alone document shall include the following statement in 14-point boldface type:

“IMPORTANT NOTICE:

- The extent of the coverage for earthquake damage has been reduced or substantially changed in this renewal.
- You may request a sample copy of this renewal policy for your review prior to making your decision to renew.
- We will mail or deliver that sample copy to you within 14 days. However, your renewal date will not be extended or changed.
- A summary of the changes to your coverage is included with this notice.
- Be aware that your earthquake coverage may have different limits, deductibles, and other limitations than your homeowners’ policy.”

(3) The commissioner shall approve the form of the offer of renewal at the time the commissioner approves the policy. The offer of renewal shall include the information contained in subdivision (a) of Section 10083, and may be included with the renewal notice in standard type.

(4) The commissioner may approve a substantially similar form of the offer of renewal if necessary to accurately disclose relevant information to the policyholder.

(b) This section does not preclude the named insured from terminating the earthquake coverage at any time.

SEC. 11. Section 10103.2 of the Insurance Code is amended to read:

10103.2. (a) On and after July 1, 2020, upon an offer of a policy of residential property insurance, a disclosure shall be provided to the applicant that states policies offering extended replacement cost coverage of at least 50 percent may be available for that property and that includes the internet website address of the department’s Homeowners Coverage Comparison Tool, pursuant to the following conditions:

(1) If an insurer does not offer at least 50 percent above the residential dwelling coverage limit to the applicant, the insurer shall provide the disclosure.

(2) If an insurer, utilizing an agent or broker, does not offer an applicant at least 50 percent above the residential dwelling coverage limit to the applicant, the insurer, agent, or broker shall provide the disclosure.

(3) If an agent or broker provides quotes to a consumer from multiple insurers, but none of the offers include coverage at least 50 percent above the residential dwelling coverage limit, the agent or broker shall provide the disclosure.

(b) (1) If an insurer offers at least 50 percent above the residential dwelling coverage limit to the applicant, the insurer is not required to make a disclosure pursuant to subdivision (a).

(2) If an agent or broker provides quotes to a consumer from multiple insurers, and at least one of the insurers offers 50 percent above the residential dwelling coverage limit, the insurer, agent, or broker is not required to make a disclosure pursuant to subdivision (a).

(c) An insurer that offers policies of residential property insurance shall notify the department on or before February 1 of each year of the amount of extended replacement cost coverage offered by the insurer for each policy or product it sells in California if the amount is different than what was reported in the previous year. The department shall use this information to annually update the Homeowners Coverage Comparison Tool on the department’s internet website.

SEC. 12. Section 12968 of the Insurance Code is amended to read:

12968. (a) Every pleading issued by the commissioner to initiate a formal enforcement action under this code against a licensee or applicant, and every order issued by the commissioner or a court of competent jurisdiction or other document that resolves a formal enforcement action, shall be displayed on the department’s internet website, if the document is a public record that is not exempt from disclosure to the public pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code).

(b) Notwithstanding Section 12969, if an enforcement action against a licensee or applicant is withdrawn, then each pleading, document, or order against that licensee or applicant shall be removed from the department's internet website within 30 days of the withdrawal of the action. If a pleading, document, or order contains allegations against multiple licensees or applicants, and the department withdraws all allegations against any one or more of the licensees or applicants, then the department shall post, on its internet website, a pleading, document, or order that clarifies that the enforcement action against that specific licensee or applicant has been withdrawn.

SEC. 13. Section 12969 of the Insurance Code is amended to read:

12969. An order or pleading posted on the department's internet website that is related to a disciplinary proceeding or enforcement action under this code against a licensee or applicant, or that is related to a restricted license, shall be removed from the site 10 years from the date the disciplinary or enforcement action becomes final or, in actions resulting in the issuance of a restricted license, 10 years from the date the restriction on the license is removed. This section does not apply to an order or pleading related to an enforcement action resulting in a suspended or revoked license. This section is intended to apply solely to the department's internet website and shall not be construed to require the department to permanently remove any information from its public record.

SEC. 14. Section 13550 of the Insurance Code is amended to read:

13550. (a) An insurer shall cooperate with the Department of Child Support Services to identify claimants who are also obligors who owe past-due child support and report those claimants to the Department of Child Support Services.

(b) An insurer shall identify and report a claimant to the Department of Child Support Services if the claim seeks an economic benefit for an obligor who owes past-due child support.

(1) An "economic benefit" under a life insurance policy, disability income insurance policy, or annuity means a payment totaling at least one thousand dollars (\$1,000) in which an individual is paid as the payee or copayee for any of the following:

(A) A claim by a beneficiary under a life insurance policy.

(B) A payment of the cash surrender value of a life insurance policy or annuity.

(C) A payment to an annuitant.

(D) A payment from a disability income insurance policy.

(E) A loan against the cash value or surrender value of an insurance policy or annuity, including loans for premium payments.

(2) An "economic benefit" under a property and casualty insurance policy means a payment totaling at least one thousand dollars (\$1,000) under a liability insurance policy or underinsured motorist policy issued by an insurance company authorized to do business in this state. An "economic benefit" under a property and casualty insurance policy does not include payments to replace or repair lost or damaged property.

(c) Notwithstanding subdivision (b), and except as provided in subdivision (h), a claimant with any of following economic benefits shall not be reported:

(1) Payments resulting from an accelerated death benefit.

(2) A claim for benefits assigned to be paid to a health care provider or facility for actual medical expenses owed by the insured that are not otherwise paid or reimbursed, or a payment made after the claimant provides proof of the amount actually paid by the claimant to a health care provider if the amount is at least as much as the insurance payment, but not any amounts billed but not paid.

(3) A claim for benefits to be paid under a limited benefit insurance policy that provides one of the following:

(A) Coverage for one or more specified diseases or illnesses.

(B) Dental or vision benefits.

(C) Hospital indemnity or other fixed indemnity coverage.

(D) Accident only coverage.

(4) A claim for benefits that are the result of a state of emergency, as defined in Section 8558 of the Government Code.

(5) A claim for benefits under a workers' compensation policy, except as provided in Section 17510 of the Family Code and Section 138.5 of the Labor Code.

(d) An insurer in California subject to the requirements of this article shall identify and report a claimant to the Department of Child Support Services if either of the following apply:

(1) A payment is made to the owner of a life policy or annuity that was issued to the owner while residing or located in California.

(2) A beneficiary making a claim resides or is located in California.

(e) Withholding from a qualifying disability insurance payment made to an obligor who owes past-due child support shall be limited to 50 percent of the claim for benefits.

(f) (1) If an insurer identifies a claimant as an obligor who owes past-due child support and reports the claimant to the Department of Child Support Services, the Department of Child Support Services shall provide the insurer with either of the following to secure the payment of the amount of past-due child support:

(A) A notice of child support lien.

(B) An income-withholding order.

(2) Upon receiving notice from the Department of Child Support Services that a reported insurance claim is payable to an obligor with a child support delinquency, an insurer shall comply with the requirements of the notice.

(3) Notwithstanding paragraph (2), this section does not require an insurer to comply with a notice from the Department of Child Support Services on a reported insurance claim payable to an obligor with a child support delinquency if the notice is received after the insurer has paid the claim.

(g) For the purposes of this section, "insurer" includes a fraternal benefit society.

(h) This section does not prohibit an insurer from cooperating voluntarily with the Department of Child Support Services to identify claimants who are also obligors who owe past-due child support and report those claimants to the Department of Child Support Services.

SEC. 15. The Legislature finds and declares that Section 5 of this act, which amends Section 1215.8 of the Insurance Code, imposes a limitation on the public's right of access to the meetings of public bodies or the writings of public officials and agencies within the meaning of Section 3 of Article I of the California Constitution. Pursuant to that constitutional provision, the Legislature makes the following findings to demonstrate the interest protected by this limitation and the need for protecting that interest:

To protect insurers' proprietary information, documents, and copies obtained by, reported to, or provided to the commissioner during the commissioner's participation in a supervisory college, it is necessary that this information be kept confidential.