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**SB-570 Insurance: low-cost automobile insurance program.** (2019-2020)

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**Senate Bill No. 570**

**CHAPTER 274**

An act to amend Sections 11629.72, 11629.73, 11629.74, 11629.77, 11629.78, and 11629.87 of, to add Section 11629.89 to, to repeal Sections 11629.79, 11629.83, and 11629.84 of, and to repeal and add Section 11629.75 of, the Insurance Code, relating to insurance.

[ Approved by Governor September 06, 2019. Filed with Secretary of State September 06, 2019. ]

**LEGISLATIVE COUNSEL'S DIGEST**

SB 570, Rubio. Insurance: low-cost automobile insurance program.

Existing law establishes within the California Automobile Assigned Risk Plan (CAARP) a low-cost automobile insurance program for all counties in California, until January 1, 2020, in order to provide a means for eligible consumers to buy automobile insurance. Existing law establishes, for purposes of the program, eligibility criteria, coverage amounts, and notice requirements. The program also prohibits an insured under the program from purchasing or maintaining automobile liability insurance coverage other than a low-cost policy for any additional vehicles in the insured's household. Existing law requires CAARP to report to the Insurance Commissioner on an annual basis on the status of the program and requires the commissioner and the Department of Insurance to carry out various duties in connection with the program, including submitting annual reports to the Legislature and maintaining a consumer-oriented internet website that provides information regarding the program.

The bill would extend the operative date of the program to January 1, 2025, delete the prohibition described above, delete obsolete requirements, including prohibited uses of gender as the basis for rates, and make technical changes. The bill would also revise certain eligibility and notice requirements.

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

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

**SECTION 1.** Section 11629.72 of the Insurance Code is amended to read:

**11629.72.** (a) The annual rate offered under the program for each of the counties in California shall be established at a date according to the discretion of the commissioner. Surcharges, as a percentage of the base rate, shall be added to the base rate and that percentage shall be set at the discretion of the commissioner, if the named insured or a resident of the household of the named insured will be a driver of the automobile covered under the low-cost policy, and is a person 16 years of age or older to whom any of the following applies:

- (1) Is an unmarried individual between 16 and 24 years of age.

(2) Operates a vehicle with a driver's license issued by the Department of Motor Vehicles pursuant to Section 12801.9 of the Vehicle Code and has fewer than three years of driving history.

(3) Has fewer than three years of driving history.

(4) Has not been continually licensed to drive for the past three years.

(b) (1) The California Automobile Assigned Risk Plan shall make available to an insured under the program, subject to approval by the commissioner, a premium installment option pursuant to which an insured is required to pay not more than 20 percent of the total policy cost upon issuance of the low-cost policy, followed thereafter by seven other payments. The plan may make additional payment plans available, subject to approval by the commissioner.

(2) No other premium financing arrangement shall be permitted.

(c) Rates for policies issued under the program in each county or city and county shall be reviewed and revised as follows:

(1) Rates shall be sufficient to cover (A) losses incurred under policies issued under the program, and (B) expenses, including, but not limited to, all reasonable and necessary expenses such as the costs of administration, underwriting, taxes, commissions, and claims adjusting, that are incurred due to participation in the program. For purposes of this paragraph, "losses incurred" means claims paid, claims incurred and reported, and claims incurred but not yet reported. In assessing loss reserves, the commissioner shall only allow loss reserves that are estimated from actual losses in the program or comparable data by a licensed statistical agent, as adjusted to reflect coverage provided under the program.

(2) Rates shall be set so as to result in no projected subsidy of the program by those policyholders of insurers issuing policies under the program who are not participants in the program.

(3) Rates shall be set with respect to the program so as to result in no projected subsidy by policyholders in one county of policyholders in any of the other counties.

(4) (A) Commencing on January 1, 2015, and annually thereafter through January 1, 2017, the California Automobile Assigned Risk Plan shall submit the loss and expense data, together with a proposed rate and the surcharge authorized by subdivision (a) for the low-cost automobile policy for the program, to the commissioner for approval in accordance with this chapter. The commissioner shall act on the recommendation within 90 days.

(B) After the January 1, 2017, rate filing, subsequent rate filings are mandatory if the rate indication is a change of greater than 7 percent from the previous filing, or at the discretion of the CAARP Advisory Committee if the rate indication is a change of less than 7 percent.

**SEC. 2.** Section 11629.73 of the Insurance Code is amended to read:

**11629.73.** A low-cost automobile insurance policy under the program shall only be available for purchase by persons who satisfy the following eligibility requirements:

(a) The person shall be in a household with an annual gross household income that does not exceed 250 percent of the federal poverty level, as defined in Part 6.2 (commencing with Section 12693) or as defined in an equivalent manner that is approved by the commissioner.

(b) The person shall be no less than 16 years of age and have been continuously licensed to drive an automobile for the previous three years, except that a person who has not been continually licensed to drive or has fewer than three years of driving history may qualify for the surcharge under subdivision (a) of Section 11629.72.

(c) The person shall have not more than one of either, but not both, of the following within the previous three years:

(1) A property damage only accident in which the driver was principally at fault.

(2) A point for a moving violation.

(d) The person shall not have on record within the previous three years, an at-fault accident involving bodily injury or death.

(e) The person shall not have a felony or misdemeanor conviction for a violation of the Vehicle Code on the person's motor vehicle record.

(f) The person shall not be a student claimed as a dependent of another person for federal or state income tax purposes, unless the student resides at the same address where the student is claimed as a dependent.

**SEC. 3.** Section 11629.74 of the Insurance Code is amended to read:

**11629.74.** (a) Application may be made through any producer certified by the plan. The applicant, in order to demonstrate financial eligibility to purchase a low-cost automobile insurance policy under the program, shall present at the time of applying for the policy documents deemed appropriate to confirm proof of income or other reliable evidence from a governmental agency or governmental means-tested program of the applicant's gross annual household income.

(b) The applicant shall certify that the representations made in the documents submitted as proof of financial eligibility and in the application for the policy are true, correct, and contain no material misrepresentations or omissions of fact to the best knowledge and belief of the applicant.

(c) The certified producer shall forward the application, supporting documents, and the applicant's certification to the California Automobile Assigned Risk Plan.

**SEC. 4.** Section 11629.75 of the Insurance Code is repealed.

**SEC. 5.** Section 11629.75 is added to the Insurance Code, to read:

**11629.75.** (a) A certified producer shall provide to an applicant for a low-cost automobile insurance policy under this article a notice relating to coverage under the policy. The notice shall be provided in a separate document at the time of application and include the following statement in 14-point boldface type:

"Notice

This policy provides liability coverage for injuries or death caused to other persons in the total amount of ten thousand dollars (\$10,000) per person in any one accident, and up to a total amount of twenty thousand dollars (\$20,000) for all persons in any one accident. The policy also provides up to three thousand dollars (\$3,000) in liability coverage for property damage in any one accident.

These limits are very low compared to coverage outside of the low-cost automobile program.

If you are at fault for an accident where the damage exceeds the coverage provided by this policy, you can be held personally responsible for the losses.

If you want higher coverage limits, you must purchase a different policy.

This policy does not cover damage to your own vehicle caused by you or anyone else. The plan offers uninsured motorist coverage as an option. However, comprehensive coverage and collision coverage are only available for purchase outside of the program.

This policy does not cover your bodily injury or your death. You do have the option to purchase uninsured motorist bodily injury coverage in the total amount of ten thousand dollars (\$10,000) per person in any one accident and up to a total amount of twenty thousand dollars (\$20,000) for all persons in any one accident. You also have the option to purchase medical payments coverage in the amount of one thousand dollars (\$1,000) per person in any one accident.

This policy does not cover any other driver in your household who meets any of the following criteria:

- (1) Is under 16 years of age.
- (2) Has less than three years of continuously licensed driving experience (unless the policy includes a surcharge for this driver).
- (3) Has more than one at-fault property damage only accident in which the driver was principally at fault in the last three years.
- (4) Has more than one point for a moving violation in the last three years.
- (5) Has both one at-fault property damage only accident in which the driver was principally at fault and one point for a moving violation in the last three years.
- (6) Has had an at-fault accident in the previous 3 years involving bodily injury or death.
- (7) Has a felony or misdemeanor conviction from a violation of the Vehicle Code on their motor vehicle record."

(b) When the certified producer establishes delivery of the disclosure form specified in subdivision (a) by obtaining the signature of the applicant or insured, there shall be a conclusive presumption that the certified producer has complied with the disclosure requirements of this section.

**SEC. 6.** Section 11629.77 of the Insurance Code is amended to read:

**11629.77.** (a) A low-cost automobile insurance policy issued pursuant to the program shall be canceled only for the following reasons:

- (1) Nonpayment of premium.
- (2) Fraud or material misrepresentation affecting the policy or the insured.
- (3) The purchase of additional automobile liability insurance coverage in violation of subdivision (a) of Section 11629.78.
- (4) The purchase or maintenance of automobile liability insurance coverage other than a low-cost policy for any additional vehicles in the insured's household, in violation of subdivision (b) of Section 11629.78.

(b) A policy shall be nonrenewed only for the following reasons:

- (1) A substantial increase in the hazard insured against.
- (2) The insured no longer meets the applicable eligibility requirements. In this regard, the eligibility of an insured shall be recertified by the California Automobile Assigned Risk Plan after the first year of eligibility, and every three years thereafter by the insurer that issued the policy.

**SEC. 7.** Section 11629.78 of the Insurance Code is amended to read:

**11629.78.** (a) An insured under the program shall not purchase automobile liability insurance coverage that is in addition to the liability coverage provided by the low-cost policy. However, the insured may purchase any other additional type of automobile insurance coverage, such as uninsured motorist coverage or collision coverage outside the plan.

(b) No more than two low-cost policies per person are permitted.

**SEC. 8.** Section 11629.79 of the Insurance Code is repealed.

**SEC. 9.** Section 11629.83 of the Insurance Code is repealed.

**SEC. 10.** Section 11629.84 of the Insurance Code is repealed.

**SEC. 11.** Section 11629.87 of the Insurance Code is amended to read:

**11629.87.** The department shall, in consultation with the CAARP Advisory Committee, establish and maintain a consumer-oriented internet website that provides all of the following:

- (a) Referral to a list of certified agents or brokers with an office in the same geographic area as the consumer who may be contacted to purchase a low-cost automobile insurance policy.
- (b) Information about the eligibility requirements, benefits, and limits of the low-cost automobile insurance policy.
- (c) Notification that if a consumer does not qualify for the low-cost automobile insurance policy, other policies may be available from producers or insurers, and directing the consumer to the department's automobile insurance premium comparison internet web page.

**SEC. 12.** Section 11629.89 is added to the Insurance Code, to read:

**11629.89.** This article shall remain in effect only until January 1, 2025, and as of that date is repealed.