

Date of Hearing: April 2, 2025

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

AB 487 (Committee on Insurance) – As Amended March 10, 2025

SUBJECT: Insurance

SUMMARY: Makes a number of technical and non-controversial amendments to various provisions of the Insurance Code. Specifically, **this bill:**

- 1) Clarifies the applicability of default denial without prejudice for bail agent and insurance adjuster licensure applications that are not acted upon.
- 2) Expands the definition of “background events” that an applicant or licensee must report to the Insurance Commissioner (henceforth, “commissioner”) after their application has been submitted or their license has been issued to include cease-and-desist orders and other civil or administrative actions alleging unlicensed transaction, including actions by the California Department of Insurance (CDI), the Federal Trade Commission, the Consumer Financial Protection Bureau, and local District Attorneys.
- 3) Removes a vestigial reference to the Attorney General from the “original source” rule for whistleblowers under the Insurance Fraud Prevention Act (IFPA) and clarifies the jurisdiction of courts to hear actions under the IFPA that are brought by an interested person but for which the district attorney or commissioner intervenes and proceeds.
- 4) Expands the permissible scope of blanket insurance policies to cover volunteers who assist with specified activities to which blanket insurance policies commonly apply.
- 5) Clarifies that all advertisements by insurers for accelerated death benefits must be submitted to the commissioner, rather than only printed advertisements.
- 6) Clarifies that all vehicle service contract administrators must be licensed as property broker-agents and casualty broker-agents, and clarifies certain permitted activities for vehicle service contract administrators.
- 7) Updates outdated cross-references, corrects drafting errors, and makes other non-substantive changes in the Insurance Code.

EXISTING LAW:

- 1) Provides for the regulation of insurers, agents and brokers, and other insurance-like organizations by the commissioner, and imposes a broad range of financial solvency, licensing, and market behavior requirements, as set forth in the Insurance (Ins.) Code.
- 2) Provides that that if an applicant for an insurance license neither fully qualifies for and receives the license nor is denied its issue within one year from the date of receipt of the application by the commissioner, the application is automatically denied without prejudice to the filing of a new application for the license. (Ins. Code Section 1670)

- 3) Requires an insurance license applicant to notify the commissioner when any background information, as defined, changes after the application has been submitted or the license has been issued (Ins. Code Section 1729.2(a)). Defines “background information” to mean any of the following: a misdemeanor or felony conviction; a filing of felony criminal charges in state or federal court; an administrative action regarding a professional or occupational license; any licensee’s discharge or attempt to discharge in bankruptcy specified obligations; and any admission, or judicial finding or determination, of fraud, misappropriation or conversion of funds, misrepresentation, or breach of fiduciary duty. (Ins. Code Section 1729.2(c)(2))
- 4) Permits the district attorney, the commissioner, or any interested person to bring a civil action alleging a violation of certain laws pertaining to insurance fraud, as specified, and to recover specified costs, relief, and penalties. Allows the district attorney or commissioner to intervene and proceed with an action brought by an interested person. Prohibits a court from having jurisdiction over such an action based on the public disclosure of allegations or transactions, as specified, unless the action is brought by the Attorney General, or the person bringing the action is an individual with direct and independent knowledge of the information on which the allegations are based and has voluntarily provided that information to the district attorney or commissioner before filing an action. (Ins. Code Section 1871.1)
- 5) Authorizes blanket insurance policies to cover a class of persons engaged in an activity or event without specifically naming the individual persons, including to cover teachers and other school employees while carrying out duties associated with special activities such as summer camps or field trips, and to cover participants, campers, employees, officials, and supervisors at sports camps or team activities. (Ins. Code Section 10270.2)
- 6) Sets forth several requirements and prohibitions concerning the advertisement or marketing of an accelerated death benefit, including requiring every insurer offering accelerated death benefits to file copies of all printed advertising for accelerated death benefits with the commissioner before disseminating in this state, and authorizes the commissioner to disapprove any advertising that does not meet the specified requirements. (Ins. Code Section 10295.11)
- 7) Requires a service contract administrator, as defined, to be licensed as a property broker-agent and casualty broker-agent (Ins. Code Section 12815(b)), and defines “service contract administrator” to mean any person, other than an obligor, who performs or arranges the collection, maintenance, or disbursement of moneys to compensate any party for claims or repairs pursuant to a vehicle service contract, and who also provides sellers with service contract forms or participates in the adjustment of claims arising from service contracts for which a seller located within this state is the obligor. (Ins. Code Section 12800(d))

FISCAL EFFECT: Unknown.

COMMENTS:

The Assembly Insurance Committee traditionally introduces an annual “omnibus” committee bill that allows CDI to identify necessary updates to the Insurance Code, and negotiate consensus with all relevant stakeholders. This bill reflects the early stages of that process. As additional items that are under discussion attain consensus status, they may be added to the bill as it moves through the legislative process. This measure is sponsored by CDI.

REGISTERED SUPPORT / OPPOSITION:

Support

California Department of Insurance (sponsor)

Opposition

None on file

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