

**ASSEMBLY BILL**

**No. 2725**

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**Introduced by Assembly Member Washington**

February 22, 2002

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An act to add Section 1861.031 to the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 2725, as introduced, Washington. Insurance: social services transportation.

Existing law provides for regulation of insurers by the Insurance Commissioner. Existing law, pursuant to Proposition 103, establishes a rate approval process applicable to various types of insurance policies, and provides that no rate shall be approved that is excessive, inadequate, or unfairly discriminatory. Existing law also provides that a notice by an insurer of cancellation or nonrenewal of an automobile insurance policy is effective only if it is based on nonpayment of premium, fraud or material misrepresentation affecting the policy or insured, or a substantial increase in the hazard insured against. A violation of these provisions is a crime.

This bill would extend the application of certain of these provisions to a policy of liability insurance obtained by carriers providing social services transportation services in order to comply with the financial responsibility requirements of the Public Utilities Code. This bill would also provide that the rate for that policy of insurance may not increase from year to year by more than the percentage change in the Consumer Price Index, thereby modifying the rate approval requirements of Proposition 103. This bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: <sup>2</sup>/<sub>3</sub>. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1861.031 is added to the Insurance  
2 Code, to read:

3 1861.031. (a) Notwithstanding any other provision of law, a  
4 notice of cancellation or nonrenewal of a policy for insurance  
5 subject to this section shall be effective only if it is based on one  
6 or both of the following reasons: (1) nonpayment of premium, or  
7 (2) fraud or material misrepresentation affecting the policy or  
8 insured.

9 (b) Notwithstanding any other provision of law, the rate for a  
10 policy of insurance subject to this section may not increase from  
11 year to year for the same coverage by more than the percentage  
12 change in the Consumer Price Index.

13 (c) This section shall apply only to policies of liability  
14 insurance obtained by carriers providing social services  
15 transportation services in order to comply with the financial  
16 responsibility requirements of the Public Utilities Code.

17 SEC. 2. No reimbursement is required by this act pursuant to  
18 Section 6 of Article XIII B of the California Constitution because  
19 the only costs that may be incurred by a local agency or school  
20 district will be incurred because this act creates a new crime or  
21 infraction, eliminates a crime or infraction, or changes the penalty  
22 for a crime or infraction, within the meaning of Section 17556 of  
23 the Government Code, or changes the definition of a crime within  
24 the meaning of Section 6 of Article XIII B of the California  
25 Constitution.

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