



1971

Insurance

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Insurance

Insurance; settlement of claims

Insurance Code §560 (new).

AB 337 (Ralph); STATS 1971, Ch 798

Every insurer issuing an automobile collision policy, as defined in §660(d), is required to make payment by check or draft payable to the repairer or to the named insured and the repairer jointly, not later than 10 days subsequent to the receipt of an itemized bill or invoice covering repairs which have been authorized by the insurer and satisfactorily completed.

Insurance; alternative to suspension of certificate of authority

Insurance Code §704.7 (new).

SB 1232 (Bradley); STATS 1971, Ch 403

Chapter 403 empowers the Insurance Commissioner, in any proceeding under the provisions of §704 of the Insurance Code, to allow a holder of a certificate of authority to conduct business in this state to elect in writing to pay a specified sum of money (not to exceed \$10,000) within a specified time in lieu of having its certificate suspended for unlawful practices. Should the holder electing to pay the fine fail to pay the prescribed amount within the prescribed time limit, the commissioner is required to put into effect an immediate suspension of the certificate, unless such action is lawfully stayed.

This authority granted to the Commissioner is in addition to and not in lieu of any other authority to enforce any penalty, fine, forfeiture, denial, suspension, restriction, or revocation of certificates of authority otherwise authorized by law.

Insurance; selection of borrower's insurer

Insurance Code §771 (amended).

SB 48 (Grunsky); STATS 1971, Ch 37

AB 691 (Briggs); STATS 1971, Ch 409

Section 770 of the Insurance Code prohibits persons engaged in

the business of financing the purchase of real or personal property or the lending of money on the security of real or personal property from requiring that a particular insurer, insurance agent or broker, be utilized by the purchaser or borrower as a condition upon making the loan.

Section 771 of this code is amended to provide that §770 is not to be construed to prevent a lender from approving or disapproving the insurer selected by the borrower to underwrite the insurance if there is *reasonable cause*, as determined by the appropriate regulatory authority. "Reasonable cause" shall be defined by the Savings and Loan Commissioner, the Superintendent of Banks, and the Corporations Commissioner in conjunction with the Insurance Commissioner.

Prior to enactment of these chapters §771 did not specifically require that a lender have reasonable cause for refusing to approve the insurer selected by the borrower.

Section 771 also provides that a lender may recommend to a borrower a specific insurer as long as he does not violate the provisions of §770. However, §771 is now amended to require that such recommendation, if made in connection with the sale of real property or a loan to be secured by real property, clearly set forth the name and mailing address of the insurer, and after July 1, 1972, the recommendation must be in writing.

Insurance; coverage of newborn infants

Insurance Code §§10119 (new); 10121, 11512.1 (amended); Government Code §§12532.8 (new); 12530 (amended).

AB 643 (Brathwaite); STATS 1971, Ch 1628
(Effective July 1, 1972)

Section 10119 is added to the Insurance Code to provide that from and after the effective date of this section, July 1, 1972, no policy of comprehensive disability insurance which, in addition to covering the insured, also covers members of the insured's immediate family, may be issued or amended in this state if it contains any disclaimer, waiver, or other limitation of coverage relative to the accident and sickness coverage or insurability of newborn infants of an insured from and after the moment of birth.

Each such policy of comprehensive disability insurance shall contain a provision granting immediate accident and sickness coverage, from and after the moment of birth, to each newborn infant of any insured.

Section 10121 of the Insurance Code is amended to apply the same

provisions to self-insured employee welfare benefit plans, as defined in this section, which provide benefits to the employee's dependants.

Section 11512.1 of the Insurance Code and Section 12532.8 of the Government Code further extend these provisions for the immediate coverage of new born infants of the insured to family hospital service contracts and health care service plans repectively.

Insurance; applicant's birthplace information

Insurance Code 10142 (new).

AB 939 (Lewis); STATS 1971, Ch 50
(Effective May 6, 1971)

Under the provisions of Section 10142 of the Insurance Code, the use, or issuance for use, of an application form for life or disability insurance which contains a question regarding applicant's birthplace is permissible where such information is used solely for non-discriminatory identification purposes.

Prior to the enactment of this chapter, Section 10141 only prohibited the use or furnishing for use of any application for insurance, or any insurance report for use in determining the insurability of the applicant, which requires information concerning race, color, religion, ancestry, or national origin.

See Generally:

- 1) REVIEW OF SELECTED 1969 CODE LEGISLATION, CONTINUING EDUCATION OF THE BAR 141.

Insurance; records of insurance transactions

Insurance Code 10508 (new).

SB 1231 (Bradley); STATS 1971, Ch 402

Section 10508 of the Insurance Code requires every insurer licensed to transact life or disability insurance, or both, to maintain records for the inspection and examination of the Insurance Commissioner or for delivery to him witin 30 days following a written demand for them. Such records are to contain the following information for every transaction:

- 1) Names, dates, amounts, and policy numbers involved.
- 2) Copy of the application for insurance (except for group life policies).
- 3) Record of the premium payments.

4) Production records showing policies or contracts sold by each agent for the current years and preceding five years.

5) Record of commission payments.

6) Indication of other agents involved in each transaction who did not receive commission payments.

7) Correspondence records. Except as otherwise provided, the records are to be maintained for a minimum period of two years following the delivery of the policy, or in the event no policy was issued, two years from the date of application. Each agent is required to maintain the records until they are transmitted to the insurer.

Insurance; dependent children

Government Code §12532.9 (new); Insurance Code §§10118, 10122, 10277, 10278, 11512.15 (new).

SB 935 (Burgener); STATS 1971, Ch 419

Provides that health coverage for dependent children will not terminate when a child reaches the limiting age if such child remains dependent due to mental of physical incapacitation.

Chapter 419 provides that certain health insurance and health care plans *delivered or issued 120 days after the effective date of this chapter*, which provide that coverage for dependent children shall terminate when a child reaches a designated age, shall not terminate the coverage of such child while the child is and continues to be both: (a) incapable of self-sustaining employment by reason of mental retardation or physical handicap and (b) chiefly dependent upon the subscriber or member for support and maintenance. Proof of such dependency and incapacity must be provided within 31 days of the child's attainment of the limiting age and subsequently as may be required by the insurer or agency providing health service, but not more frequently than annually after the two-year period following the child's attainment of the limiting age.

The types of insurance and health care plans to which the above provisions are applicable are:

1) Disability insurance policies of the Insurance Code (§10118).

2) Self-insured employee welfare benefit plans (Insurance Code §10122).

3) Group hospital, mental or surgical expense insurance policies (Insurance Code §10277).

4) Individual hospital, medical or surgical expense insurance policies (Insurance Code §10278).

5) Family hospital service contracts (Insurance Code §11512.15).

6) Health care service plans (Government Code §12532.9).

Policies and plans under subparagraphs (1), (3) and (4) above are to be automatically construed to be in compliance with this chapter and need not be refiled or reprinted if such policies or plans are presently approved by the Insurance Commissioner but are not to be delivered or issued more than 120 days after the effective date of this chapter. No such provisions are made for the other types of plans and policies affected by this chapter.

Prior to the enactment of Chapter 419, there were no provisions relating to the continuance of coverage for incapacitated dependent children in the above code sections applicable to insurance and health care plans.

See Generally:

- 1) CAL. INS. CODE §§10110 *et seq.*, 10200 *et seq.*, 11496 *et seq.*; CAL. GOV'T CODE §§12530 *et seq.*