

Title 10. Investment
Chapter 5. Insurance Commissioner
Subchapter 3. Insurers
Article 22. Hazardous Financial Conditions; Corrective Actions

November 26, 2013
Amended Text – 2598.3(b) and (c)

2598.3 **Corrective Actions**

- (b) If the commissioner ~~makes an initial determination~~ determines that the continued operation of the insurer licensed to transact business in this state may be hazardous to its policyholders, creditors or the general public, then the commissioner ~~will meet with the insurer to discuss implementation of~~ may require ~~the insurer to do~~ one or more of the following:
- (1) Reduce the total amount of present and potential liability for policy benefits by reinsurance;
 - (2) Reduce, suspend or limit the volume of business being accepted or renewed;
 - (3) Reduce general insurance and commission expenses by specified methods;
 - (4) Increase the insurer's capital and surplus;
 - (5) Suspend or limit the declaration and payment of dividend by the insurer to its stockholders or to its policyholders;
 - (6) File reports ~~with in a form acceptable to~~ the commissioner concerning the market value of the insurer's assets;
 - (7) Unless otherwise restricted by the Insurance Code, Limit or withdraw from certain investments or discontinue certain investment practices to the extent the commissioner deems necessary;
 - (8) Document the adequacy of premium rates in relation to the risks insured;
 - (9) File, in addition to regular annual statements, interim financial reports on the form adopted by the National Association of Insurance Commissioners. ~~or in such format as promulgated by the commissioner.~~
 - (10) Correct corporate governance practice deficiencies, and adopt and utilize governance practices that will correct, eliminate, or remedy the condition(s) that led to the commissioner's initial determination that

continuance of the insurer's operations may be hazardous to its policyholders, creditor or the general public. acceptable to the commissioner.

(11) Provide a business plan to the commissioner in order to continue to transact business in the state.

(12) ~~Notwithstanding any other provision of law limiting the frequency or amount of premium rate adjustments, a~~ Adjust rates for any non-life insurance product written by the insurer that the commissioner considers necessary to improve the financial condition of the insurer.

(c) ~~The meeting(s) under subsection (b) shall be held pursuant to Section 12919 of the Insurance Code unless the insurer requests a public hearing pursuant to Section 1065.1 of the Insurance Code. An insurer subject to subsection (b) shall have the opportunity to be heard. The insurer may request a meeting with the commissioner pursuant to Section 12919 of the Insurance Code, or it may request a public hearing pursuant to Section 1065.1 of Insurance Code.~~ Unless mutually agreed otherwise between the commissioner and the insurer, the meeting shall occur not less than ten (10) days nor more than thirty (30) days after the insurer's request. The meeting shall be either in the commissioner's Sacramento, San Francisco, or Los Angeles office or in some other place convenient to the parties designated by the commissioner. The commissioner shall hold all meetings under this subsection privately, unless the insurer requests otherwise, in which case the meeting shall be public.

Note: Authority cited: Sections 720, 700(c), 700.01–700.05, 717(a), 1077.7; 729, et seq., 739, et seq., 900.2, 900.8, 903, 922, 922.2, 923, 923.5, 934, 1011; 1065.1, et seq.; 1215, et seq., 10489.1 – 10489.95, 12107, 12114(b), 12124, 12125, 12381, 12388, 12640.04, 12640.05, 12640.16, 4011, 4012, 4080, 1370.2, 1372, 1322, 12919; 12921.5, 12924, 12926, 12940, Insurance Code; *CalFarm Insurance Company v. Deukmejian*, 48 Cal.3d 805 (1989); and *20th Century Insurance Company v. Garamendi*, 8 Cal.4th 216 (1994).

Reference: Sections 700(c), 923.5, 923.6(f)(1), 925.3, 735.5, 739.8, 933, 934, 706.5, 930, et seq., 12920, Insurance Code.