

**STATE OF CALIFORNIA  
DEPARTMENT OF INSURANCE  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, California 94105**

**File No. REG-2008-00019**

**Date: September 8, 2008**

**INITIAL STATEMENT OF REASONS**

**Proposed Adoption of Sections 2308.1, 2308.2 and 2308.3  
Filing of Financial Statements**

**SPECIFIC PURPOSE AND RATIONALE OF EACH SUBDIVISION**

**Section 2308.1 Electronic Filing of Annual and Quarterly Statements**

Insurance Code Section 900, enacted in 1935, requires insurers to provide identical annual and quarterly financial data to the Insurance Commissioner “in the number form and by the methods prescribed by the [C]ommissioner.” Insurers must provide such information to the National Association of Insurance Commissioners (NAIC) as well, pursuant to Insurance Code Section 931, which was enacted in 1991. Both statutes, which initially required annual statements only, were amended in 2004 to include quarterly filings.

In 2007, the NAIC required insurers to provide such data in electronic form, either via its Internet site or a CD. The California Department of Insurance (“Department”) currently is able to access those electronic filings with the NAIC via the Internet – to perform its review of those insurers and to make such information available to the public – and therefore no longer requires paper versions of them.

Jurat pages accompanying financial statements are signed by executive officers of insurers who attest to the completeness and veracity of the data provided, satisfying the Insurance Code’s requirements (in Sections 903 and 903.5) that such statements are verified. These regulations implement those statutory sections by ensuring that insurers provide the Department or another state’s insurance regulator with an original copy of those properly executed Jurat pages.

Section 2308.1 is necessary to transition insurers and the Department from a paper-based system of receiving insurers’ financial data to one that is more technologically advanced, efficient, and environmentally friendly.

## **Section 2308.2 Paper Filing of Domestic Insurers' Annual and Quarterly Statements**

To implement the California Insurance Code's more detailed requirements for domestic (California) insurers, requiring paper copies of domestic insurers' annual and quarterly statements is reasonably necessary to process and review the large number of financial statements submitted by domestic insurers.

Section 2308.2 also addresses the necessity of receiving original documentation submitted under oath for purposes of court orders, such as those specified in Insurance Code Section 1011.

## **Section 2308.3 Paper and Electronic Filing of California Supplemental Financial Statements**

Similarly, to implement the Insurance Code's numerous California-specific filing requirements, mandating paper and electronic copies of all insurers' California supplemental filings, to be filed directly with the Commissioner, is reasonably necessary to process and review the numerous and varied supplemental financial statements submitted by admitted insurers.

## **IDENTIFICATION OF STUDIES AND REPORTS**

The Department did not rely upon any technical, theoretical and/or empirical study, report or similar document in proposing these regulations.

## **CONSIDERATION OF ALTERNATIVES**

No reasonable alternative considered by the Department or that otherwise has been identified and brought to the attention of the Department would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons. Although performance standards were considered as an alternative to these regulations, the Department rejected them as being impracticable and less effective than a uniform system of filing insurer financial data.

## **IMPACT ON BUSINESS**

The Commissioner has determined that the proposed regulations may require insurers to make minor changes to their filing procedures, but would not have a significant adverse impact on business. Insurers are already providing the Department and the NAIC with financial statements in paper (in triplicate) and electronic form, respectively, thus additional filing costs, if any, should be extremely modest.

The proposed regulations do not affect small businesses.

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