



**The Surplus Line Association
of California**

September 11, 2000

**388 Market Street, 11th Floor
San Francisco, CA 94111**

Theodore M. Pierce
Executive Director

Deanna M. Zanoni
Director, Stamping Office

Telephone
(415) 434-4900
In Ca (800) 334-0491
Fax
(415) 434-3716
www.sla-cal.org

BULLETIN #899

REPORT ON 2000 LEGISLATION

Enclosed is a copy of California Assembly Bill 2251 enacted by the Legislature regarding the transaction of insurance business on the Internet. The bill was signed into law on August 9, 2000 and becomes effective on January 1, 2001.

The bill, which applies to agents, brokers and insurers provides that any agent/broker or licensed insurer that advertises insurance on the Internet and transacts insurance in California (as defined within the bill) must provide certain information on its website.

Nonadmitted insurers involved in surplus lines or other lawful placements will not be considered to be "transacting business" as defined within the bill. The bill also addresses the application of California advertising rules to nonadmitted insurers in the Internet context. The bill addresses section 702 to the Code applicable to insurers that: (i) possess a California certificate of authority, (ii) advertise insurance on the Internet, and (iii) transact insurance in California, must identify the following information on the Internet:

- (a) insurer's name "as it appears on its California certificate of authority,"
- (b) insurer's state of domicile and principal place of business, and
- (c) the number on the insurer's California certificate of authority.

Section 702 defines transacting insurance in California as any of the following acts:

- (i) providing an insurance premium quote to a California resident, (ii) accepting an application from a California resident, or (iii) otherwise communicating with a California resident regarding the terms of a policy.

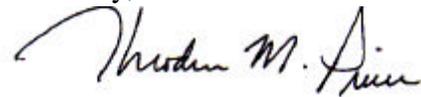
Agents and brokers under the bill must identify the following information on the internet:

- (a) his or her name "as it appears on his or her insurance license,"
- (b) his or her state of domicile and principal place of business, and
- (c) his or her license number.

The bill does not specify where in a website such information must be displayed, or what size or characteristics such information must have.

With respect to nonadmitted insurers on the internet, advertising is subject to California's advertising rules, unless the nonadmitted insurer is involved in a surplus lines or other lawful placements.

Sincerely,

A handwritten signature in black ink that reads "Theodore M. Pierce". The signature is written in a cursive style with a large initial 'T'.

Theodore M. Pierce
Executive Director

CHAPTER 211

An act to add Sections 702 and 1726 to the Insurance Code, relating to insurance.

[Approved by Governor August 8, 2000. Filed with
Secretary of State August 9, 2000.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2251, Cox. Insurance: sales: Internet: disclosure.

Existing law requires a licensed insurance agent to have printed on specified documents their license number.

This bill would require any person who is licensed as an insurance agent or broker or an insurer that maintains a certificate of authority to transact insurance in this state, and advertises for the sale of insurance on the Internet specified identifying information, including a specified identification number or an insurance license number or certificate of authority number. The bill would specify when a person advertising insurance on the Internet is transacting insurance in this state. The bill would require an insurer that advertises on the Internet and is not admitted in California to follow the provisions relating to advertising by nonadmitted insurers.

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

SECTION 1. Section 702 is added to the Insurance Code, to read:

702. (a) An insurer that maintains a certificate of authority to transact insurance in this state, advertises insurance on the Internet, and transacts insurance in this state, shall identify all of the following information on the Internet, regardless of whether the insurer maintains its Internet presence or if the presence is maintained on its behalf:

(1) Its name as it appears on its California certificate of authority, and if different, the name approved by the commissioner for doing business in this state.

(2) The state of its domicile and its principal place of business.

(3) The number on its California certificate of authority. In lieu of this number, an insurer may identify all states in which it maintains certificates of authority to transact insurance, provided that the insurer discloses its identification number as assigned by the national Association of Insurance Commissioners.

(b) An Internet presence maintained by or on behalf of an insurer not admitted to transact insurance in this state constitutes an advertisement, and the insurer shall comply with the requirements of Section 703.1 if it transacts insurance as defined in subdivision (c).

(c) A person who advertises on the Internet shall be deemed to be transacting insurance in this state if the person does any of the following:

(1) Provides an insurance premium quote specifically to a California resident.

(2) Accepts an application for coverage from a California resident.

(3) Otherwise communicates with a California resident regarding one or more terms of an agreement to provide insurance or an insurance policy.

CHAPTER 211

This subdivision shall not apply to any lawful placement with a nonadmitted insurer, including when a person conveys a quote, accepts an application, and conducts all communications with a California resident solely through a surplus line broker or special lines' surplus line broker pursuant to California surplus line laws.

SEC. 2. Section 1726 is added to the Insurance Code, to read:

1726. (a) A person who is licensed in this state as an insurance agent or broker, advertises insurance on the Internet, and transacts insurance in this state, shall identify all of the following information on the Internet, regardless of whether the insurance agent or broker maintains his or her Internet presence or if the presence is maintained on his or her behalf:

(1) His or her name as it appears on his or her insurance license, and any fictitious name approved by the commissioner.

(2) The state of his or her domicile and principal place of business.

(3) His or her license number.

(b) A person shall be deemed to be transacting insurance in this state when the person advertises on the Internet, regardless of whether the insurance agent or broker maintains his or her Internet presence or it is maintained on his or her behalf, and does any of the following:

(1) Provides an insurance premium quote to a California resident.

(2) Accepts an application for coverage from a California resident.

(3) Communicates with a California resident regarding one or more terms of an agreement to provide insurance or an insurance policy.