



**THE SURPLUS LINE ASSOCIATION
OF CALIFORNIA**

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BULLETIN # 1063

RE: BACKGROUND INFORMATION REPORTING REQUIREMENTS

The California Department of Insurance has requested that all Surplus Line Brokers be notified of the August 23, 2004, enactment of Assembly Bill 2557 (Koretz), Chapter 279, Statutes of 2004. This legislation added Section 1729.2 to the California Insurance Code, effective January 1, 2005. The new law requires various applicants or licensees (including Surplus Line Brokers) to notify the insurance commissioner in writing, within 30 days, of any changes in background information previously submitted, pertaining to the applicant or licensee.

Enclosed is the official Notice from the Department of Insurance.

A handwritten signature in dark ink, appearing to read 'Theodore M. Pierce'.

Theodore M. Pierce,
Executive Director

DEPARTMENT OF INSURANCE

ADMINISTRATION & LICENSING SERVICES BRANCH
PRODUCER LICENSING BUREAU
320 CAPITOL MALL
SACRAMENTO, CA 95814
(800) 967-9331 OR (916) 322-3555
(916) 327-6907 (FAX) - www.insurance.ca.gov



SUBJECT: NEW BACKGROUND INFORMATION REPORTING REQUIREMENTS

DATE: January 2005

NOTICE TO ALL ADMITTED INSURERS AND OTHER INTERESTED PARTIES

Assembly Bill 2557 (Koretz), Chapter 279, Statutes of 2004, was signed into law on August 23, 2004, adding Section 1729.2 to the California Insurance Code, effective January 1, 2005. This new law requires various applicants or licensees to notify the insurance commissioner in writing, within 30 days, of any changes in the background information previously submitted, pertaining to the applicant or licensee.

The new reporting requirement applies to any person making an application for, or holding, any type of licenses issued by the commissioner pursuant to:

- Chapter 5. Production Agencies (commencing with Section 1621)
- Chapter 5A. Administrators (commencing with Section 1759)
- Chapter 6. Surplus Line Brokers (commencing with Section 1760)
- Chapter 6.5. Reinsurance Intermediaries (commencing with Section 1781.1)
- Chapter 7. Bail Licensees (commencing with Section 1800) ¹
- Chapter 8. Life and Disability Insurance Analysts (commencing with Section 1831)
- Part 2 of Division 1, Chapter 4. Motor Club Agents (commencing with Section 12280)
- Part 5 of Division 2, and Chapter 1. Insurance Adjusters (commencing with Section 14000)
- Chapter 2. (commencing with Section 15000) of Division 5. Public Insurance Adjusters

¹ Per Section 2095(i)(1)(2) of the California Code of Regulations, bail licensees must still continue to report to the Insurance Commissioner within 10 days of being served with a filing of any criminal suit or any action at law taken against them or of any judgment against them which arises out of their transaction of the bail business or the transaction of bail.

Background information that must be reported includes any of the following:

- a misdemeanor or felony conviction
- a filing of felony criminal charges in state or federal court
- an administrative action regarding a professional or occupational license
- a licensee's discharge or attempt to discharge in a personal or organizational bankruptcy proceeding an obligation regarding any insurance premiums or fiduciary funds owed to any company, including a premium finance company, or managing general agent
- any admission, or judicial finding or determination, of fraud, misappropriation or conversion of funds, misrepresentation, or breach of fiduciary duty

Additionally, if any of the changes in the background information involves an applicant or licensee who is listed as an endorsee on a business entity license, the licensee or applicant must also provide the notice of background change to any officer, director, or partner listed on that business entity license or application pursuant to Section 1729.2(a) of the California Insurance Code.

A business entity licensee, upon learning of any background information changes pertaining to any unlicensed person listed on its business entity license or application, shall notify the commissioner of that change pursuant to Section 1729.2(b) of the California Insurance Code. This includes any unlicensed officer, director, partner, member, controlling person, or any other natural person named under the business entity license or application.

AB 2557 also increases the monetary penalties for transacting without an insurance license in California from \$5,000 to \$50,000, and provides for increased sanctions against education providers who fail to comply with the education provider regulations.

For additional information regarding AB 2557, including Background Change Reporting forms and instructions, please visit our website at www.insurance.ca.gov, go to the Industry tab, and then to Producers (agents and brokers) and scroll to item #5. You may also contact the Licensing Background Bureau at (916) 492-3650 if you have further questions about these **background reporting** requirements under the new law.