

7-31-1920

## Insurance Rating Bureaus

Follow this and additional works at: [http://repository.uchastings.edu/ca\\_ballot\\_inits](http://repository.uchastings.edu/ca_ballot_inits)

---

### Recommended Citation

Insurance Rating Bureaus California Initiative 1920-i-2 (1920).  
[http://repository.uchastings.edu/ca\\_ballot\\_inits/33](http://repository.uchastings.edu/ca_ballot_inits/33)

This Initiative is brought to you for free and open access by the California Ballot Propositions and Initiatives at UC Hastings Scholarship Repository. It has been accepted for inclusion in Initiatives by an authorized administrator of UC Hastings Scholarship Repository. For more information, please contact [marcusc@uchastings.edu](mailto:marcusc@uchastings.edu).

File: 1920-I-2

INITIATIVE.

INSURANCE  
RATING  
BUREAUS

392 ELECTORS

SAN JOAQUIN CO

Filed in the office of the  
SECRETARY OF STATE

the THIRTY-FIRST day of

July 1920

DEPARTMENT OF STATE

State

By Frank H. Coyle

# Initiative Measure to be Submitted Directly to the Electors

## TITLE AND SUMMARY AS PREPARED BY THE ATTORNEY GENERAL

**INSURANCE RATING BUREAUS. Initiative Act. Prohibits agreements controlling rates for certain kinds of insurance and discrimination because of business methods or insurance board affiliation; provides for organization, membership and conduct of rating bureaus, each under direction of a chief examiner, for promulgating rates, listing same with Insurance Commissioner, vesting latter with supervisory powers thereover subject to judicial review; requires insurance company, before doing business, to file with Insurance Commissioner rate schedule or acceptance of schedule of bureau of which it is member; authorizes investigations by Insurance Commissioner and revocation of licenses for violations of act, and prescribes other penalties.**

Section \_\_\_\_\_ of the Initiative Petition Circulated in the

\_\_\_\_\_, County of \_\_\_\_\_,

State of California.

To the Honorable Frank C. Jordan,  
Secretary of State of the State of California:

We, the undersigned, qualified electors of the State of California, hereby propose to the People of the State of California the enactment of the following Act, to-wit:

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

Section 1. It shall be unlawful for any insurance company authorized to transact, in this State, the business of insuring against loss or damage by fire, earthquake, lightning, windstorm, hail, explosion, riot or civil commotion, or against loss or damage by or to motor vehicles, their ownership or operation, or any manager, agent or representative of said company, or for any broker or solicitor of said insurance to, either within or outside of this State, directly or indirectly, enter into any contract, understanding or combination with any other insurance company, manager, or any agent or representative thereof, or with any insurance broker or solicitor, or to jointly or severally do any act or engage in any practice or practices for the purpose of controlling the rate to be charged or commissions or other compensation to be paid for insuring any risk or class or classes of risks in this State, or for the purpose of discriminating against or differentiating from any company, manager or agent or representative thereof, or any such insurance broker or solicitor, by reason of its or his plan or method of transacting business, or its or his affiliation or non-affiliation with any board or association of insurance companies, managers, agents or representatives thereof, or of any insurance brokers or insurance solicitors, or for any purpose detrimental to free competition in the said insurance business, or injurious to the insuring public.

Whenever the Insurance Commissioner shall have knowledge of any violation of this section, or any complaint alleging a violation thereof is made to said Commissioner, he shall forthwith investigate the same, and

if said Commissioner finds that there has been any violation of the provisions hereof, he shall forthwith order the offending company, manager, agent, representative, broker or solicitor to discontinue such practice. Upon failure of said company, manager, agent, representative, broker or solicitor to discontinue said practice within thirty days from receipt of such order, the said Commissioner shall forthwith revoke the license of such offending company, manager, agent, representative, broker or solicitor, and no renewal of the license so revoked shall be granted within three years of the revocation.

Sec. 2. Any person, persons or corporation, resident within this State, or a domestic corporation, may organize and maintain a rating bureau for the purpose of estimating and promulgating fair and equitable rates for insuring against the hazards mentioned in Section 1 of this Act, and to furnish to municipalities, owners of property, insurance companies, or managers, agents, or representatives thereof, or insurance brokers or solicitors, information as to rates and advice as to measures to be adopted for the reduction of said hazards and lessening the cost of insurance thereof. Every such rating bureau shall establish and maintain an office in this State. The business of conducting a rating bureau in this State is public service in character and shall be conducted without profit, except that fair and reasonable compensation shall be paid for all services actually rendered and necessary to the conduct of the business of such a bureau. Every rating bureau, before establishing or furnishing any rates, shall file in the office of the Insurance Commissioner its rating schedules and shall not deviate therefrom, nor give any notice of intended deviation therefrom, until amended or corrected rating schedules shall have been filed in the office of the Insurance Commissioner. The service of such rating bureau shall be available equally and rateably in proportion to the service rendered to any and all insurance companies, agents, representatives, brokers or solicitors and property owners without any discrimination as to cost. The office of rating bureaus shall be open during the regular office hours and its records open for inspection to all citizens of this State.

Sec. 3. Each rating bureau now or hereafter organized and maintained in this State shall keep an accurate and complete record of all work performed by it, in surveying, estimating and promulgating rates and furnishing information in respect thereto, which record must show all receipts and disbursements, and be open during the regular office hours to the inspection and examination of the Commissioner, his deputy or examiner, who may at any time review such rate or rates to determine whether the schedule has been properly applied.

Sec. 4. The Insurance Commissioner may address inquiries to any individual, association or bureau which is, or has been, engaged in making rates or estimates for rates for insurance upon the hazards in this Act mentioned upon property in this State, relative to his or its organization, maintenance or operation, or any other matter connected with his or its transactions, and it shall be the duty of every such individual, association or bureau, or some officer thereof, to reply promptly and fully to such inquiries in writing.

Sec. 5. The Insurance Commissioner shall have the power to examine any such rating bureau as often as he deems it expedient to do so, and shall do so not less than once each year. A report thereof shall be filed in his office and a statement with regard to each such examination shall be made in the annual report of the Insurance Commissioner.

Sec. 6. The Insurance Commissioner shall have power, upon written complaint, or upon his own motion, to review any rate fixed by any rating bureau, insurance company or insurer, for insurance against the hazards

hereinabove mentioned for the purpose of determining whether the same is discriminatory or whether the schedules have been properly applied. He shall have power to order the discrimination, if any, removed, or the error, if any in the application of the schedules, corrected. A review of such rates before the Insurance Commissioner shall be had only after reasonable notice and hearing, and his findings or order shall be in all cases subject to summary review by the Superior Court of the State of California. During such court review the operation of the Insurance Commissioner's order shall be suspended; but in the event of final determination against such rate, any overcharge made by any insurance company or insurer during the pendency of such proceeding shall be refunded with legal interest thereon to the person entitled thereto.

Sec. 7. Every rating bureau operating under the provisions of this Act shall appoint a person with the title of "Chief Examiner." Such person shall be well versed in the business of determining and applying rates of insurance on the hazards mentioned in this Act, and shall not be an officer or employee of any insurance company or other insurer or of a rating bureau. Such chief examiner shall be held responsible for the examination of all applications and daily reports submitted to such bureau and shall report to the Insurance Commissioner any and all cases in which companies or agents discriminate on risks of essentially the same hazard or deviate from the schedules on file in the insurance department, and any and all violations of this Act, but he shall not make or keep any copies of such applications or daily reports or records thereof except to endorse his approval thereon or correct or attach such memoranda or entries as may be necessary to show what, if any, errors; keeping copies thereof, for the purpose of checking such errors and releasing memoranda thereof when corrected. Upon the failure of any such chief examiner to report promptly any violation of this law, the insurance commissioner shall impose a penalty on said chief examiner not to exceed the sum of one hundred (100) dollars for each violation, which said penalty shall be enforceable by legal action in a court of competent jurisdiction.

Sec. 8. All applications for insurance and daily reports of policies covering the hazards mentioned in this Act issued by any insurance company or insurer holding membership in a rating bureau on risks in this State shall be submitted to the chief examiner of such rating bureau, for the purpose of examination to ascertain if there are any errors in the forms of policy or rate of premium charges therefor, who shall endorse his approval on such application or daily report if correct; withholding his approval if incorrect as to the form used or rate charged, such as to constitute a discrimination in rate, advising the company, or insurer, and the agent submitting the same, showing wherein the error exists and if correction thereof is not made within a reasonable time, he shall report the same with the name of the company, or insurer, and the agent to the State Insurance Commissioner.

Sec. 9. Every insurance company or other insurer authorized to effect insurance against the risks hereinbefore enumerated, before being permitted to write such insurance in this State shall file with the Insurance Commissioner a schedule of rates, unless such company or other insurer has given notice to the Insurance Commissioner of its acceptance of the schedule of rates filed by a rating bureau organized and operating according to the laws of this State of which such company or other insurer is a member, and any company or other insurer filing such schedule of rates, or giving notice to the Insurance Commissioner of the acceptance of the schedule filed by the rating bureau, shall not deviate therefrom until corrected or amended schedules shall have been filed in the office of the Insurance Commissioner, and every company or other insurer not belonging to a rating bureau and having filed its individual schedule as herein required shall keep a complete record of all applications and daily reports received by it, showing the

same to have been written in conformity with its rating schedules filed with the Insurance Commissioner, and promptly notify its agents or other representatives of any errors in the applications or daily reports written or submitted by them and shall report to the Insurance Commissioner any failure upon the part of such agents or other representatives to make such corrections in the same manner and with the same penalties for violations as is required of the chief examiner of a rating bureau, which record of its business shall at all times be open to inspection by the Insurance Commissioner, his deputy or examiner. No such insurer shall be a member of more than one rating bureau for the purpose of rating the same class or classes of risks, nor file, publish or use the rates or rating schedules of any rating bureau organized or maintained under the provisions of this Act, unless such insurer is a member thereof. Every insurer that has given notice to the Insurance Commissioner of its acceptance of the schedule of rates filed by a rating bureau of which it is a member shall, thirty days in advance of any variation by it from the bureau rate, file with the Insurance Commissioner and bureau the variation from the bureau rate, which shall be uniform throughout the territorial classification, and every such insurer shall be permitted to make uniform variation from the bureau rate.

Sec. 10. Except as contained in the policy and the usual agreement for other insurance, no insurance company, or insurer, or rating bureau shall make any contract or agreement with any person insured or to be insured with regard to the time any rate shall remain in effect, or that the whole or any part of any insurance shall be written or placed with any particular company, insurer, agent, broker or solicitor, or any group of companies, insurers, agents, brokers or solicitors.

Sec. 11. Any rating bureau shall admit to membership any authorized insurer applying therefor. The expenses of the bureau shall be shared by each member in proportion to the gross premiums received by it during the previous year on business rated by such bureau, deducting premiums and dividends returned to the policyholders, to which may be added a reasonable annual fee.

Sec. 12. Every rating bureau, or insurer, engaged in making rates, or estimates for rates as herein provided, shall inspect every risk specifically rated by it, making a written survey of such risk, which shall be filed as a permanent record in the office of such rating bureau or insurer, and a copy of such survey shall be furnished to all members of such rating bureau and to the owner of the property surveyed upon request. Such rating bureau or other insurer shall also provide such means as may be approved by the Insurance Commissioner whereby any person or persons affected by such rate or rates may be heard before the proper representatives of such company, insurer or rating bureau on an application for a change in such rate or rates.

Sec. 13. Every insurance company doing business in this State shall file in the office of the Insurance Commissioner its short rate table for cancelation of policies and shall not deviate therefrom until an amendment shall have been filed with the Insurance Commissioner, nor shall any insurance company file a schedule of rates of any rating bureau less a certain percentage of the rates estimated and promulgated by said bureau when making insurance.

Sec. 14. Every corporation, association, bureau or person failing to comply with the requirements of this Act, or knowingly and wilfully violating any of its provisions, shall be deemed guilty of a misdemeanor and upon conviction be fined not to exceed one hundred (100) dollars for each offense, and any license or certificate of authority granted by the Insurance Commissioner to the offender shall be revoked, and a license so revoked shall not be renewed within three years from date of revocation.

Sec. 15. All acts and parts of acts inconsistent with this act are hereby repealed.