

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2025-2026 Regular Session

AB 487 (Committee on Insurance)

Version: July 3, 2025

Hearing Date: July 15, 2025

Fiscal: Yes

Urgency: No

AM

SUBJECT

Insurance

DIGEST

This bill makes various noncontroversial changes to existing law regarding the regulation of insurance, including clarifying existing law, deleting obsolete statutes, updating certain statutes, updating cross-references, and making various other changes. The bill, as it relates to the jurisdiction of this Committee, removes a reference to the Attorney General under the Insurance Fraud Prevention Act (IFPA) and clarifies jurisdiction of the courts to hear actions under the IFPA that are brought by an interested person but where a district attorney or the Insurance Commission intervenes and proceeds in the action.

EXECUTIVE SUMMARY

This bill is the Assembly Insurance Committee omnibus bill that makes various noncontroversial changes to existing law with the purpose of increasing efficiencies in the legislative process, conserving legislative resources, and eliminating the need to unnecessarily hear a number of technical, clarifying, or modest stand-alone bills that might otherwise have to be introduced and require individual consideration by the Legislature. The bill makes various changes to the statutes regulating insurance — including clarifying the applicability of default denial without prejudice for bail agent and insurance adjuster licensure applications and expanding the permissible scope of blanket insurance policies to cover volunteers who assist with specified activities — which were analyzed by the Senate Insurance Committee. This analysis will focus on the provisions of the bill in this Committee’s Jurisdiction, which are the changes to the IFPA. The bill is sponsored by Ricardo Lara, Insurance Commissioner. No timely opposition was received by the Committee. The bill passed the Senate Insurance Committee on a vote of 7 to 0.

PROPOSED CHANGES TO THE LAW

Existing law:

- 1) Provides for the regulation of insurance by the California Department of Insurance (CDI), which is under the control of the Insurance Commissioner. (Ins. Code § 12921.)
- 2) Establishes the Insurance Fraud Prevention Act (IFPA). (Ins. Code §§ 1871 et seq.)
- 3) Makes it unlawful to knowingly employ runners, cappers, steerers, or other persons to procure clients or patients to perform or obtain services or benefits or to procure clients or patients to perform or obtain services or benefits under a contract of insurance or that will be the basis for a claim against an insured individual or their insurer. (Ins. Code § 1871.7(a).)
 - a) Provides that a violation of these provisions is subject to a civil penalty of not less than \$5,000 nor more than \$10,000, plus an assessment of not more than three times the amount of each claim for compensation. (*Id.* at subd. (b).)
 - b) Authorizes the court to grant other equitable relief, including temporary injunctive relief, as is necessary to prevent the transfer, concealment, or dissipation of illegal proceeds, or to protect the public. (*Ibid.*)
 - c) These penalties are intended to be remedial rather than punitive, and do not preclude, nor are precluded by, a criminal prosecution for the same conduct. (*Id.* at subd. (c).)
 - d) If the court finds, after considering the goals of disgorging unlawful profit, restitution, compensating the state for the costs of investigation and prosecution, and alleviating the social costs of increased insurance rates due to fraud, that such a penalty would be punitive and would preclude, or be precluded by, a criminal prosecution, the court is required to reduce that penalty appropriately. (*Ibid.*)
- 4) Authorizes the district attorney or Insurance Commissioner to bring a civil action under 3), above. The Insurance Commissioner is required, prior to bringing an action, to present the evidence obtained to the appropriate local district attorney for possible criminal or civil filing. If the district attorney elects not to pursue the matter, then the commissioner may proceed with the action. (*Id.* at subd. (d).)
- 5) Authorizes any interested persons, including an insurer, to bring a civil action for a violation of 3), above, for the person and for the State of California. The action is to be brought in the name of the state. The action may be dismissed only if the court and the district attorney or the commissioner, whichever is participating, give written consent to the dismissal. (*Id.* at subd. (e).)

- a) Requires a copy of the complaint and written disclosure of substantially all material evidence and information the person possesses to be served on the district attorney and Insurance Commissioner. (*Id.* at subd. (e)(2).)
 - b) The complaint is to be filed in camera and remain under seal for 60 days from date of service to the district attorney or Insurance Commissioner. (*Ibid.*)
 - c) Authorizes the local district attorney or Insurance Commissioner to elect to intervene and proceed with the action within 60 days of notice of the complaint. If more than one governmental entity elects to intervene, the district attorney has precedence. (*Ibid.*)
- 6) Prohibits a person from bringing an action under 5), above, that is based upon allegations or transactions that are the subject of a civil suit or an administrative civil money penalty proceeding in which the Attorney General, district attorney, or Insurance Commissioner is already a party. (*Id.* at subd. (h).)
- 7) Prohibits a court from having jurisdiction over an action under 5), above, based upon the public disclosure of allegations or transactions in a criminal, civil, or administrative hearing in a legislative or administrative report, hearing, audit, or investigation, or from the news media, unless the action is brought by the Attorney General or the person bringing the action is an original source of the information. (*Id.* at subd. (h)(2(A)).)
 - a) “Original source” is defined as an individual who has direct and independent knowledge of the information on which the allegations are based and has voluntarily provided the information to the district attorney or commissioner before filing an action that is based on the information. (*Id.* at subd. (h)(2(B)).)

This bill:

- 1) Provides that a court does have jurisdiction over an action brought under Section 1871.7 of the Insurance Code based upon the public disclosure of allegations or transactions in a criminal, civil, or administrative hearing in a legislative or administrative report, hearing, audit, or investigation, or from the news media when the action is brought by the district attorney or Insurance Commissioner or when the district attorney or Insurance Commissioner chooses to proceed with an action that was initially brought by an interested person.
- 2) Removes references in that statute to the Attorney General.

COMMENTS

1. Stated need for the bill

The author writes:

This Committee Omnibus Bill makes several necessary updates and revisions to the Insurance Code to ensure the statutes and references are up-to-date, internally consistent, accurate, and practicable. The provisions therein have elicited no opposition, and are non-controversial, non-substantive, or technical in nature.

Ricardo Lara, Insurance Commissioner, the sponsor of the bill writes in support, stating:

[...] This bill proposes amendments identified by the California Department of Insurance (CDI) that help clarify existing law, delete obsolete and superseded code sections, and create new laws agreed to between CDI and stakeholders.

Specifically, among other amendments, AB 487 would:

- CIC § 10123.13: The amended 10123.13(a) as drafted requires the insurer to send a written notice that a claim is being contested or denied even when the insurer pays the claim within 30 calendar days. Receiving such a notice when their claim has, in fact, been paid will create confusion for the consumer. In addition, subdivision (b) contains a typographical error that should be fixed to ensure clarity with respect to an additional penalty that applies if the insurer does not add the required accrued interest to a late payment.
- CIC § 10270.2(a)(2) and (a)(3): currently provides for “benefits to students, teachers, or employees, and spouses and dependents of students, teachers, and employees” but it fails to allow coverage for volunteers or similar support persons who commonly assist teachers and employees during their specified special duties.
- CIC § 10295.11(c): Revise the filing requirement for certain accelerated death benefit (ADB) advertising. Since 2014, when the ADB statutes took effect, it has become apparent that the filing requirement for ADB advertising is not clear. By removing “printed” this section applies to all advertising. This has always been the understanding, but is being codified.
- CIC § 1670: Application Expiration Date: This amendment is to clarify that the same automatic denial provisions apply in Insurance Code to the bail agent Section 1801, independent insurance adjuster Section 14023, and public insurance adjuster Section 15009
- CIC 1800(b)(1): Code Reference Correction AB 2043 (Jones-Sawyer, 2022) amended a section of the bail code, updating the reference of Penal Code 1299.01(d) to PEN 1299.01(a)(4). As a result, CDI’s code must also be corrected to align with this change and reflect the updated reference to PN 1299.01(a)(4).

- CIC §1871.7(h)(2)(A): Amend the Insurance Frauds Prevention Act, California Insurance Code section 1871.7 et seq. to exclude government prosecutors from the “original source” rule.
- CIC §1729.2 (C)(2): Amend reportable producer background events. The proposed amendment will require producers to report cease-and-desist orders and other civil or

2. Insurance Fraud Prevention Act

Section 1871.7 was added to the Insurance Code by AB 1300 (Brown, Ch. 120, Stats. 1993). When it was added there were no references to the Insurance Commissioner in the statute, just the Attorney General and the district attorney. This section was heavily modeled heavily off the California False Claims Act, which is a whistleblower statute. (Gov. Code § 12651.) A major component of whistleblower statutes is that they contain a *qui tam* provision, allowing certain private persons to bring suit on behalf of themselves and the government. Under Section 1871.7, a person that provides information is entitled to receive a percentage of the proceeds collected in the action and potentially any attorney’s fees and other costs. (Ins. Code § 1871.7(g).)

In SB 465 (Rosenthal, Ch. 574, Stats. 1995), references to the Insurance Commissioner were added into Section 1871.7. Four years later, AB 1050 (Wright, Ch. 885, Stats. 1999) removed several references to the Attorney General in Section 1871.7, but a few remained. Existing law provides that a court does not have jurisdiction over an action brought under Section 1871.7 based upon the public disclosure of allegations or transactions in a criminal, civil, or administrative hearing in a legislative or administrative report, hearing, audit, or investigation, or from the news media, unless the action is brought by the Attorney General or the person bringing the action is the original source of the information. The intent of this provision is to ensure that only those who are truly whistleblowers can bring actions and not merely anyone who discovers information in the public domain.

This bill seeks to clarify that a court does have jurisdiction over an action brought under Section 1871.7 based upon the public disclosure of allegations or transactions in a criminal, civil, or administrative hearing in a legislative or administrative report, hearing, audit, or investigation, or from the news media when the action is brought by the district attorney or Insurance Commissioner or when the district attorney or Insurance Commissioner chooses to proceed with an action that was initially brought by an interested person under subdivision (e) of Section 1871.7. This change will ensure that a district attorney or the Insurance Commissioner can seek enforcement of those in violation of the law if they find information of that violation through public information, such as a news article or other governmental document.

SUPPORT

Ricardo Lara, Insurance Commissioner (sponsor)

OPPOSITION

None received.

RELATED LEGISLATION

Pending Legislation: None known.

Prior Legislation:

AB 1050 (Wright, Ch. 885, Stats. 1999) *see* Comment 2), above.

SB 465 (Rosenthal, Ch. 574, Stats. 1995) *see* Comment 2), above.

AB 1300 (Brown, Ch. 120, Stats. 1993) *see* Comment 2), above.

PRIOR VOTES

Senate Insurance Committee (Ayes 7, Noes 0)

Assembly Floor (Ayes 78, Noes 0)

Assembly Appropriations Committee (Ayes 14, Noes 0)

Assembly Insurance Committee (Ayes 17, Noes 0)
