

AMENDED IN SENATE APRIL 17, 2024

**SENATE BILL**

**No. 1229**

**Introduced by Senator Nguyen**

February 15, 2024

An act to add *and repeal* Chapter 4 (commencing with Section 12130) ~~to~~ of Part 4 of Division 2 of the Insurance Code, relating to insurance, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1229, as amended, Nguyen. Insurance disclosures.

Existing law generally regulates the rules governing insurance and insurance contracts. Existing law sets minimum standards of training, experience, skill, and compensation for claims reviewers and adjusters in specified insurance fields.

This bill ~~would~~ *would, until January 1, 2030*, require a property and casualty insurer to disclose to an applicant or insured ~~when it has used~~ *if it uses artificial intelligence intelligence, as defined*, to make decisions on, or make decisions that affect, applications and claims review, as specified.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

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

- 1 SECTION 1. Chapter 4 (commencing with Section 12130) is
- 2 added to Part 4 of Division 2 of the Insurance Code, to read:

## CHAPTER 4. USE OF ARTIFICIAL INTELLIGENCE

12130. (a) A property and casualty insurer shall disclose to an applicant or insured ~~when it has used~~ *if it uses* artificial intelligence to make decisions on, or make decisions that affect, either of the following:

(a)

(1) Applications for residential property insurance or automobile insurance.

(b)

(2) Claims review or other coverage of losses.

(b) *A property and casualty insurer shall provide this disclosure at the time of application for coverage or once annually in a property and casualty insurer's annual disclosures.*

(c) *For purposes of this section, the following definitions apply:*

(1) (A) "Artificial intelligence" (AI) *refers to a branch of computer science that uses data processing systems that perform functions normally associated with human intelligence, such as reasoning, learning, and self-improvement, or the capability of a device to perform functions that are normally associated with human intelligence, such as reasoning, learning, and self-improvement. This definition considers machine learning to be a subset of artificial intelligence.*

(B) *AI includes an AI system, generative artificial intelligence, and machine learning when used by insurers to make decisions regarding consumer applications or claims.*

(2) "AI system" *is a machine-based system that can, for a given set of objectives, generate outputs, such as predictions, recommendations, or content, such as text, images, videos, or sounds, or other output-influencing decisions made in real or virtual environments. AI systems are designed to operate with varying levels of autonomy.*

(3) "Generative artificial intelligence" *refers to a class of AI systems that generate content in the form of data, text, images, sounds, or video that is similar to, but not a direct copy of, preexisting data or content.*

(4) "Machine learning" *refers to a field within AI that focuses on the ability of computers to learn from provided data without being explicitly programmed.*

1     12131. *This chapter shall become inoperative on January 1,*  
2     *2030, and as of that date is repealed.*

3     SEC. 2. This act is an urgency statute necessary for the  
4     immediate preservation of the public peace, health, or safety within  
5     the meaning of Article IV of the California Constitution and shall  
6     go into immediate effect. The facts constituting the necessity are:

7     Artificial intelligence (AI) is a rapidly developing technology  
8     for which many consumers are unaware of the potential impacts  
9     upon decisions affecting their everyday lives and purchasing  
10    decisions. To ensure consumers receive information about the use  
11    of AI in applications and claims decisions as soon as possible, it  
12    is necessary for this act to take effect immediately.