
CONSENT

Bill No: SB 1206
Author: Committee on Insurance
Amended: 4/9/26
Vote: 21

SENATE INSURANCE COMMITTEE: 7-0, 4/22/26
AYES: Padilla, Niello, Becker, Jones, Menjivar, Richardson, Rubio

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

SUBJECT: Insurance: omnibus

SOURCE: Insurance Commissioner Ricardo Lara/California Department of Insurance

DIGEST: This bill makes a number of technical and non-controversial amendments to various provisions of the Insurance Code.

ANALYSIS:

Existing law:

- 1) Makes the license of any licensee that is suspended by the Secretary of State inactive and prohibits the inactive licensee from conducting any activity for which a license is required until the licensee is no longer suspended.
- 2) Establishes the California Organized Investment Network (COIN) within the California Department of Insurance (CDI) to pursue active measures to encourage insurers to make investments in California's underserved and low- and moderate-income communities. Insurers may make discretionary investments after investment of an amount equal to its required minimum paid-in capital in specified securities. Under existing law, those discretionary investments may include the purchase of, or loans upon, properties and securities, limited to the lesser of 5% of the insurer's admitted assets or 50% of the excess of admitted assets over the sum of capital paid up, liabilities, and a

required surplus. Until January 1, 2027, increases that limitation if the Insurance Commissioner (Commissioner) has approved the amount and other terms of the investment in advance and COIN has identified the investment in an investment opportunity bulletin or otherwise deemed it to be a qualified investment.

- 3) Specifies various provisions for the regulation and licensing of production agencies.
- 4) Prohibits the Commissioner from issuing a permanent license to an applicant unless the applicant has, within the 12-month period preceding the date of issue of the license, taken and passed the qualifying examination for that license.
- 5) States that if an organization licensed as certain agents desires to change, remove, or add to the persons who are to transact insurance under the authority of the organization's license, the organization is required to file an application or notice, as prescribed by the Commissioner, for an endorsement. Makes the license of an organization licensed as certain agents inoperative upon the removal or termination of the last person named under the organization's license, as specified.
- 6) Authorizes the Commissioner to issue a certificate of convenience, to temporarily allow the transaction of certain insurance without a permanent license. Specifies certain categories of people who are eligible for an estate certificate of convenience, including the executor or administrator of the estate of a deceased property broker-agent, casualty broker-agent, or life agent.
- 7) Requires the Commissioner to ensure that CDI's Fraud Division pursues all reported incidents of probable workers' compensation fraud, as specified. States that specified funds be distributed to district attorneys, as provided, for purposes of the investigation and prosecution of workers' compensation fraud cases. Further requires CDI to send a biannual information request to those district attorneys who have received funding in order to report to the Governor, the Legislature, specified legislative committees, and the Fraud Assessment Commission on the activities of the Fraud Division and district attorneys supported by the funds.
- 8) Provides for an assigned risk plan for automobile insurance, requires the Commissioner to administer and operate the plan, and creates an advisory committee with which the commissioner is required to consult on a regular basis regarding policy matters affecting the operation of the plan.

- 9) Establishes the State Compensation Insurance Fund to be administered by a board of directors for the purpose of transacting workers' compensation insurance and other public employment-related insurances. Requires the board to invest and reinvest all moneys in the fund in excess of current requirements in the same manner as is authorized in certain provisions applicable to private insurance carriers.
- 10) Specifies that the Public Insurance Adjusters Act governs the regulation, licensing, and registration of public insurance adjusters. A licensee cannot act as a public insurance adjuster without having a written contract, as specified. A public adjuster who receives, accepts, or holds any funds on behalf of an insured towards the settlement of a claim must deposit the funds in a non-interest-bearing escrow or trust account, as specified, within 15 business days of receipt.

This bill:

- 1) Makes the license of any licensee that is dissolved, forfeited, terminated, canceled, or surrendered by the Secretary of State, inactive.
- 2) Deletes the January 1, 2027 sunset on allowing increases of the limitation on COIN-related discretionary investments if the Commissioner has approved the amount and terms of the investment in advance and COIN has identified the investment in an investment opportunity bulletin or otherwise deemed it to be a qualified investment.
- 3) States that specified provisions regarding the regulation and licensing of production agencies generally apply to any applicant for a license issued by the Commissioner or any licensee regulated by the Commissioner, unless otherwise provided.
- 4) Pauses the 12-month period preceding the date of issue of the license, when an applicant must have taken and passed the qualifying examination for that license, during any review of the applicant's background information by the Commissioner for an alleged violation that would, if proven, result in the suspension, revocation, or denial of the application, as specified.
- 5) States that if an organization licensed as accident and health or sickness agents desires to change, remove, or add to the persons who are to transact insurance under the authority of the organization's license, the organization is required to file an application or notice, as prescribed by the Commissioner, for an

endorsement. Makes the license of an organization licensed as certain agents inoperative upon the removal or termination of the last person named under the organization's license, as specified.

- 6) Allows the Commissioner to issue a certificate of convenience, to temporarily allow the transaction of certain insurance without a permanent license. To the executor or administrator of the estate of, the surviving spouse or heir otherwise entitled to conduct business of, and the conservator of the estate of, a deceased accident and health or sickness agent.
- 7) Allows CDI to choose whether to send a biannual information request to those district attorneys who have received funding to counter workers compensation insurance fraud in order to report to the Governor, the Legislature, specified legislative committees, and the Fraud Assessment Commission on the activities of the Fraud Division and district attorneys supported by the funds.
- 8) Specifies that for an assigned risk plan for automobile insurance, the affiliated advisory committee with which the Commissioner is required to consult on a regular basis regarding policy matters affecting the operation of the plan, shall have two-year terms for non-insurer members of that advisory committee, to be staggered as specified.
- 9) Requires the State Compensation Insurance Fund to provide an annual and quarterly investment report, to CDI as they prescribe, on specified investments.
- 10) Specifies that under the Public Insurance Adjusters Act, a licensee's written contract must also include the licensee's email address and a California business address.
- 11) States that a public adjuster who receives, accepts, or holds any funds on behalf of an insured towards the settlement of a claim must deposit the funds in a non-interest-bearing escrow or trust account within 7 calendar days of receipt if the funds relate to a claim for loss or damage in an area that is or was subject to a catastrophic disaster, or a state of emergency, or a local emergency.
- 12) Requires a public adjuster to send to the insured any funds received towards the settlement of a claim within 30 calendar days of receipt or, if the funds relate to an area that is or was subject to a catastrophic disaster, or state of emergency, or a local emergency, within 15 calendar days of receipt.

- 13) Makes other technical changes relating to the calculation of adjusted premiums and present values for life insurance policies issued in a particular calendar year.

Related/Prior Legislation

AB 487 (Committee on Insurance, Chapter 558, Statutes of 2025). Made a number of technical and non-controversial amendments to various provisions of the Insurance Code.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT: (Verified 5/11/26)

Insurance Commissioner Ricardo Lara/California Department of Insurance
(Source)

OPPOSITION: (Verified 5/11/26)

None received

ARGUMENTS IN SUPPORT: Insurance Commissioner Ricardo Lara, sponsor of this bill, states:

This bill proposes amendments identified by the California Department of Insurance (CDI or Department) 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, SB 1206 would:

Require the State Compensation Insurance Fund to submit annual and quarterly investment reports to the Department as prescribed by the Californian Department of Insurance. Extend the term length for Commissioner-appointed CAARP Advisory Committee members from one year to two years to reduce administrative workload and align with other advisory bodies.

Correct typographical errors in the Standard Nonforfeiture Laws for life insurance and individual deferred annuities to ensure statutory clarity and accuracy.

Clarify provisions in the Insurance Funds Prevention Act by removing ambiguous language and requiring government agency consent in certain settlement and dismissal cases.

Clarify requirements for public adjusters handling claim settlement funds, including escrow use, disclosure obligations, and timeline for deposit and remittance. Allow tolling of the 12-month license examination requirement while an applicant's background review is pending to address equity concerns.

Remove the sunset date on certain insurer investment authority to improve long-term investment flexibility.

Correct a statutory cross-reference and make midyear reporting by district attorneys in the workers compensation fraud grant program discretionary rather than mandatory. SB 1206 is technical in nature, and therefore, should be non-controversial.”

Prepared by: Brandon Seto / INS. / (916) 651-4110
5/13/26 16:28:01

**** **END** ****