
SENATE COMMITTEE ON INSURANCE

Senator Stephen Padilla, Chair

2025 - 2026 Regular

Bill No:	SB 1209	Hearing Date:	April 22, 2026
Author:	Allen		
Version:	February 19, 2026	Introduced	
Urgency:	No	Fiscal:	Yes
Consultant:	Brandon Seto		

SUBJECT: Insurance: examination of insurers

DIGEST: Provides the Insurance Commissioner (Commissioner) with the authority to require adoption of the Department of Insurance's recommendations in a report examining an insurance company. Creates a hearing process for the Commissioner to evaluate an insurer's non-compliance with a report's recommendations and consider imposing related penalties.

ANALYSIS:

Existing law:

- 1) States that the Insurance Commissioner may conduct examinations of insurers at the Commissioner's discretion, but must conduct an examination of every admitted insurer at least once every five years.
- 2) Requires every company or person from whom information is sought, to provide to the examiners, timely, convenient, and free access to all books, records, accounts, papers, documents, and any or all computer or other recordings relating to the property, assets, business, and affairs of the company being examined. The Commissioner has the power to issue subpoenas, administer oaths, and examine under oath any person as to any matter pertinent to the examination.
- 3) Specifies that within 60 days following completion of the examination, the examiner in charge shall file with the California Department of Insurance (CDI), a written report of the examination under oath. Upon receipt of the report, CDI must transmit the report to the company examined, together with a notice that the company has 30 days to make a written submission or rebuttal with respect to any matters contained in the examination report.
- 4) States that within 30 days of the end of the allowed submissions or rebuttal period, the Commissioner will fully consider and review the report, together with any written submissions or rebuttals, and either adopt the report as filed or with modifications or corrections, or reject the report with directions to the examiners to reopen the examination for purposes of obtaining additional data, documentation, or information, and refile.

This bill:

- 1) States that an examined company must comply with all recommendations in a report of examination or other operational report conducted by the Commissioner or their designee. Failure to adopt any recommendation in a timeframe agreed upon by the Commissioner or their designee will result in the company being fined up to \$20,000 for each recommendation not followed, in addition to any other penalties provided by law.

- 2) If the Commissioner believes that a company has violated the provisions above, and that a proceeding would be in the interest of the public, the Commissioner will issue and serve that company an order to show cause containing a statement of the charges, a statement of that company's potential liability, and a notice of a hearing to determine whether the Commissioner should issue an order to pay the penalty imposed by these provisions and to comply with and implement the recommendations contained in the report.
- 3) Specifies that the notice of hearing include the time and place of the hearing, which must occur 30 days after service of the notice.
- 4) States that if the charges are found to be justified, the Commissioner must issue and serve the company an order requiring payment of the relevant penalty and compliance with and implementation of the recommendations contained in the report.
- 5) Requires that the hearing be conducted in accordance with the Administrative Procedure Act, except that the hearings may be conducted by an administrative law judge in CDI's administrative law bureau, as specified.

Background

According to the author:

“Current law authorizes the Insurance Commissioner to conduct examinations of insurers to evaluate their market practices to verify that insurers operate fairly and in compliance with state law. These examinations often identify operational deficiencies and include findings and recommendations designed to protect consumers and improve company practices. The recommendations are intended to propose actions to remediate any violations of the law or to improve the financial health of an insurer to avoid potential default and risk to policyholders.

While most insurers voluntarily comply with actions proposed in the report, there is not a clear mechanism to require remediation of violations. Current law does not provide a mechanism for an immediate form of enforcement for noncompliance.

SB 1209 would allow the Insurance Commissioner to assess a fine up to \$20,000 to an insurer for failing to address corrective actions proposed in an examination. The bill creates a formal hearing process for the Commissioner to determine whether to take an enforcement action and allows the insurer to appeal a decision to a court of law.”

Related/Prior Legislation

SB 1805 (Escutia, Chapter 997, Statutes of 2000). Required the Commissioner to make public all final market conduct reports relating to unfair claims practices.

AB 1680 (Calderon). Would require the California FAIR Plan to comply with the recommendations of a report of examination or other operational report and would subject the FAIR Plan to certain fines and penalties associated with failing to adopt the report recommendations within a timeframe agreed upon by the Commissioner or their designee.
Pending in Assembly Appropriations Committee.

ARGUMENTS IN SUPPORT:

Insurance Commissioner Ricardo Lara, sponsor of the bill, states:

“This bill ensures that corrective recommendations issued through financial and market conduct examinations are implemented promptly protecting consumers and strengthening the integrity of the insurance market.

The Department of Insurance’s examinations routinely uncover operational deficiencies, compliance failures, and consumer-protection risks within insurance companies. Yet under current law, insurers are not required to adopt corrective recommendations within any defined timeframe. This lack of a clear enforcement mechanism allows harmful practices to persist, undermines regulatory oversight, and leaves consumers exposed to avoidable harm.

SB 1209 provides the targeted authority needed to address this problem. The bill requires insurers to implement examination recommendations within an agreed-upon timeframe, establishes a formal order to show cause process, and authorizes penalties of up to \$20,000 per violation for noncompliance. These tools ensure that examination findings lead to real, timely corrective action rather than prolonged delays or incomplete remediation.

By creating a direct and enforceable pathway for compliance, SB 1209 strengthens consumer protections, promotes consistent industry standards, and reinforces the credibility of the Department’s oversight. Californians deserve an insurance market where identified problems are corrected swiftly—not left unresolved due to gaps in statutory authority.”

ARGUMENTS IN OPPOSITION:

A coalition of associations representing insurers, as well as independent agents and brokers states:

“This bill changes ‘recommendations’ into mandates. The CDI has extensive enforcement authority under existing law. Recommendations and findings where no violation of statute or regulation is alleged must be grounded in law, statute or regulation, and may appropriately lead to corrective action. Recommendations or findings are areas where CDI may request changes, generally in discretionary business practices. These are areas where companies maintain some level of autonomy and may negotiate with their regulator which recommendations they will adopt and be held to, and which they either cannot or will not adopt (with justifications given to CDI). These recommendations are often advisory in nature and reflect an examiner’s perspective rather than the law.

CDI claims that they have insufficient authority and that this bill provides lacking enforcement mechanisms. However, under the California Code of Regulations Title 10 §2591.3, CDI has extensive authority over enforcing law, in statute or regulation, but a company cannot be mandated to comply with something that is not law. That is what this expansion does.

The effect of this change would create a pathway for binding rules that are not grounded in statute nor adopted through formal rulemaking. The Administrative Procedures Act (APA) has six requirements that a regulation must meet before it is approved; authority, reference, consistency, clarity, nonduplication, and necessity (California Government Code §11349.1). These requirements ensure that there is sufficient protection of law before a regulated entity can be subject to enforcement or penalization. SB 1209 curtails that process, removing the existing

due process protections and will result in numerous “desk drawer” regulations that will likely vary examiner to examiner, disrupting any consistency, notice, and due process regulated entities currently have.”

SUPPORT:

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

OPPOSITION:

American Property Casualty Insurance Association
Association of California Life and Health Insurance Companies
California Land Title Association
Independent Insurance Agents and Brokers of California
Insurance Information Institute
National Association of Mutual Insurance Companies
Pacific Association of Domestic Insurance Companies
Personal Insurance Federation of California

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