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# SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair  
2025 - 2026 Regular Session

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## SB 1209 (Allen) - Insurance: examination of insurers

**Version:** February 19, 2026

**Urgency:** No

**Hearing Date:** May 4, 2026

**Policy Vote:** INS. 5 - 2

**Mandate:** No

**Consultant:** Janelle Miyashiro

**Bill Summary:** SB 1209 requires insurance companies to comply with all recommendations included in an examination or operational report issued by the California Department of Insurance (CDI) following an examination and establishes a fine of up to \$20,000 for each recommendation not adopted within an agreed-upon timeframe. SB 1209 also establishes a hearing process to adjudicate an insurer's failure to comply with report recommendations and to determine the imposition of associated penalties, as specified.

**Fiscal Impact:** Unknown potential increase in enforcement workload for CDI to address noncompliance with examination report recommendations, which may be offset to some extent by penalty revenue (Insurance Fund). It is possible that higher aggregate penalties may incentivize insurers to contest enforcement actions through the administrative hearing process rather than opting for immediate compliance, which may increase administrative and adjudicatory workload. The magnitude of this workload would depend on the number of recommendations with which the insurer is noncompliant, and any additional penalties attached.

**Background:** CDI is mandated to oversee the financial solvency and market conduct of all insurers licensed to do business in the state. To fulfill this regulatory duty, the Insurance Commissioner has broad authority to conduct examinations of insurance companies.

According to CDI's website, its Field Examination Division conducts on-site financial examinations under the provisions of Section 730 of the California Insurance Code, which charges the Insurance Commissioner with the duty to examine the business affairs of every admitted insurer whenever deemed necessary to determine its financial condition and compliance with all applicable laws. Unless financial or other conditions warrant an immediate examination, domestic insurers are usually examined triennially. Foreign insurers are usually examined in accordance with the National Association of Insurance Commissioners (NAIC) Association Plan of Examination.

### Proposed Law:

- Requires an examined company to comply with all recommendations in an examination or other operational report issued by the commissioner or their designee following an examination.
  - Establishes a fine of up to \$20,000 for each recommendation not adopted within a timeframe agreed upon by the commissioner or their designee.

Clarifies that these fines may be imposed in addition to any other penalties provided under existing law.

- Authorizes the commissioner to issue an order to show cause if there is reason to believe a company has violated compliance requirements and a proceeding serves the public interest. Requires the order to show cause to contain a statement of the charges, the company's potential liability, and a notice of hearing.
  - Specifies that hearing notice must include the time and place of the proceeding and be served at least 30 days in advance.
  - Requires the hearing to be conducted in accordance with the Administrative Procedure Act (APA), but allows an administrative law judge from CDI's administrative law bureau to preside if the case involves common questions of law or fact with other CDI proceedings.
- Mandates the commissioner to issue a final order requiring both the payment of penalties and the implementation of report recommendations if the charges are found to be justified.
- Provides the company has the right to seek review of the proceedings and final orders through established remedies provided by Section 12940 of the Insurance Code or the APA.

**-- END --**