
THIRD READING

Bill No: SB 1209
Author: Allen (D)
Amended: 5/14/26
Vote: 21

SENATE INSURANCE COMMITTEE: 5-2, 4/22/26
AYES: Padilla, Becker, Menjivar, Richardson, Rubio
NOES: Niello, Jones

SENATE APPROPRIATIONS COMMITTEE: 5-1, 5/14/26
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab
NOES: Dahle
NO VOTE RECORDED: Seyarto

SUBJECT: Insurance: examination of insurers

SOURCE: Insurance Commissioner Ricardo Lara/California Department of Insurance

DIGEST: This bill provides the Insurance Commissioner (Commissioner) with the authority to take action to compel insurance companies to correct violations of applicable statutes, regulations, statutory accounting principles, and other legally binding applicable rules identified in an examination report of an insurance company. This bill creates a hearing process for the Commissioner to evaluate an insurer's non-compliance with these provisions 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) Requires examined insurance companies to correct violations of applicable statutes, regulations, statutory accounting principles, and other legally binding applicable rules identified in an examination report.
- 2) Allows a company to request a 30-day extension, or a longer extension approved by the Commissioner for good cause, to comply with remediation requirements.
- 3) Authorizes the Commissioner or their designee to deny an extension request.
- 4) 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.

- 5) Specifies that the notice of hearing include the time and place of the hearing, which must occur 30 days after service of the notice.
- 6) 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.
- 7) 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.

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) of the current legislative session, 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.

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

According to the Senate Appropriations Committee:

Unknown potential increase in enforcement workload for CDI to address noncompliance with remediation requirements (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 violations identified in an examination and the specific penalties assessed. However, given that the bill mandates harsher penalties for violating existing law rather than failing to adopt discretionary exam recommendations, the overall impact on CDI's enforcement activities may be absorbable.

SUPPORT: (Verified 5/15/26)

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

OPPOSITION: (Verified 5/15/26)

Independent Insurance Agents and Brokers of California

ARGUMENTS IN SUPPORT: As sponsor, Insurance Commissioner Ricardo Lara, states in support of a previous version of this bill:

“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: The Independent Insurance Agents and Brokers of California state:

“While we support strong consumer protection and a well-regulated insurance market, SB 1209 would significantly expand the Insurance Commissioner’s investigatory, examination, and enforcement authority in ways that would affect not only insurers, but also agents and brokers. These changes risk destabilizing an already fragile insurance marketplace and negatively impacting the professionals who serve California policyholders every day. This bill would extend the Commissioner’s enhanced investigatory and enforcement authority beyond insurers to include agencies, brokerages, and individual licensees. This creates

substantial uncertainty for licensees, who already operate under extensive regulatory obligations. The bill's shift from collaborative oversight to prescriptive mandates may expose agents and brokers to penalties for disagreements over professional judgment rather than actual misconduct.

For decades, California has relied on a cooperative model between regulators, insurers, and licensees to address issues such as wildfire risk, market instability, and consumer complaints. SB 1209 shifts this dynamic toward more adversarial, mandatory enforcement—even in situations where dialogue and incremental correction would better serve consumers. Agents and brokers thrive in a system where corrective guidance is clear, collaborative, and consistent—not punitive or open to interpretation.”

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