

Date of Hearing: June 17, 2026

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

SB 1209 (Allen) – As Amended June 10, 2026

SENATE VOTE: 30-8

SUBJECT: Insurance: examination of insurers

SUMMARY: Requires an examined company to take corrective actions to remediate violations identified in the report of examination or other operational report conducted by the California Insurance Commissioner (IC) or their designee. Specifically, **this bill:**

- 1) Provides that if the examined company fails to adopt the necessary corrective action in a timeframe agreed upon by the IC or their designee, the company shall be subject to a penalty of up to twenty thousand dollars (\$20,000) for each failure to take corrective action.
- 2) Allows an examined company to request additional extensions of 30 calendar days or more if approved by the IC, for good cause, in order to comply.
 - a) Allows the IC or their designee to deny a request for extension of time if it is determined the request is not made in good faith or there has not been a good faith effort to comply.
 - b) Defines “good cause” as circumstances beyond the company’s control, a showing that the company has made a good faith effort to comply, or other factors agreed to by the IC.
- 3) Provides that a failure to take corrective action shall be determined per specific category of corrective action requested as described in the examination.
- 4) Specifies that for purposes of determining penalties (#1 above) if the company examined is licensed as an insurance agent or broker, the IC shall consider, in addition to other factors, the proportionate nature of the violation or violations and the scale and complexity of the licensee’s operations.
- 5) Provides that if the IC believes that a company has violated the provisions above, and that a proceeding would be in the interest of the public, the IC 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 IC should issue an order to pay the penalty imposed by these provisions and to comply with and implement the recommendations contained in the report.
 - a) Specifies that the notice of hearing include the time and place of the hearing, which must occur 30 days after service of the notice.
 - b) States that if the charges are found to be justified, the IC 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.

- c) 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 the California Department of Insurance (CDI) administrative law bureau.

EXISTING LAW:

- 1) States that the IC may conduct examinations of insurers at the IC's discretion, but must conduct an examination of every admitted insurer at least once every five years. (Insurance Code, Section 730)
- 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 IC has the power to issue subpoenas, administer oaths, and examine under oath any person as to any matter pertinent to the examination. (Insurance Code, Section 734)
- 3) Specifies that within 60 days following completion of the examination, the examiner in charge shall file with 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. (Insurance Code, Section 734.1)
- 4) States that within 30 days of the end of the allowed submissions or rebuttal period, the IC 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 refiling. (Insurance Code, Section 734.1)

FISCAL EFFECT: Unknown

COMMENTS:

- 1) *Purpose of the bill:* 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 repeated 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.”

- 2) *Background:* This measure will allow CDI to issue a fine up to \$20,000 for failing to take correction action as proposed in a market conduct examination report. Currently, the IC lacks the authority to require insurers to comply with any violations that stem from the market conduct exam.

CDI conducts examinations of licensed insurance companies to evaluate insurers' compliance with the California Insurance Code and the California Code of Regulations with respect to rating, underwriting, and claim practices. These are called market conduct examinations which are similar to an audit. Market conduct examination reports document the findings of the examiners. The reports identify any alleged violations of the Unfair Practices Act discovered during the examinations, and summarize actions taken by the insurers to correct alleged non-compliant practice.

- 3) *Related Legislation:* AB 1680 (Calderon) This measure requires the Fair Access to Insurance Requirements (FAIR) Plan take actions to correct violations of applicable statutes, regulations, or rules identified by the IC after an examination or other operational report conducted by the IC, and requires the FAIR Plan be fined up to \$20,000 for each violation if the FAIR Plan fails to take corrective action within the timeframe agreed upon with the IC. Pending before the Senate Insurance Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

Insurance Commissioner Ricardo Lara / California Department of Insurance

Opposition

None on file.

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