Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 1209 (Allen) – As Amended June 10, 2026

Policy Committee: Insurance Vote: 15 - 1

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill requires an insurance company to take corrective action to remediate a violation of law identified in an examination conducted by the Insurance Commissioner (IC).

Specifically, this bill:

1) Requires an insurance company to take corrective action to remediate a violation of law or legally binding applicable rule identified in a report of examination or other operational report conducted by the IC, subjects a company that fails to adopt necessary corrective action in a timeframe agreed upon by the IC to a penalty of up to $20,000 for each failure, and authorizes a company to request an extension of 30 days or more to comply with the report.

2) Requires the IC, if the IC has reason to believe a company has failed to implement report recommendations and pay the penalty, to issue and serve upon the company an order to show cause containing a statement of the charges, statement of the company's potential liability, and notice of hearing.

3) Requires the IC, if such charges against a company are found to be justified at a hearing, to issue an order requiring the company to pay the requisite penalty and comply with the corrective action identified in the examination report.

4) Provides that the company is entitled to have the proceedings and order reviewed by a court of competent jurisdiction or a remedy specified in the Administrative Procedure Act.

FISCAL EFFECT:

1) The Department of Insurance (CDI) reports costs of approximately $3,000 in fiscal year (FY) 2026-27, $87,000 in FY 2027-28, and $6,000 in FY 2028-29 and annually thereafter in enforcement workload to collect applicable penalties when a company fails to adopt a corrective action, partially offset by penalty revenue (Insurance Fund). Since this bill imposes a penalty for a violation of existing law identified in an IC report, rather than failing to adopt discretionary examination recommendations, it is reasonable that such enforcement costs are not significant. However, it is possible for this bill to result in higher costs to CDI on an ongoing basis, more similar to the costs CDI estimates for FY 2027-28, to the extent CDI must continue to take enforcement actions against non-compliant companies.

2) By vesting additional civil enforcement and penalty authority in the IC, for which appeals are adjudicated in superior court, this bill may result in ongoing cost pressures to the courts in

additional workload. The magnitude of such cost pressures is likely minor, but is ultimately dependent on the disposition of such IC actions (General Fund or Trial Court Trust Fund).

COMMENTS:

1) **Purpose.** According to the author:

> While most insurers voluntarily comply with actions proposed in [an examination] 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 [IC] 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 [IC] to determine whether to take an enforcement action and allows the insurer to appeal a decision to a court of law.

This bill is sponsored by IC Ricardo Lara.

2) **IC Examinations.** Existing law authorizes the IC to conduct an examination, similar to an audit, of a licensed insurance company to evaluate the company's compliance with the Insurance Code and related regulations regarding rating, underwriting, and claim practices. The IC must conduct an examination of an admitted insurer at least once every five years. Within 60 days following completion of an examination, the examiner must file with CDI, under oath, a written report of the examination, which CDI must transmit to the company, along with a notice that the company has 30 days to submit a written rebuttal to any matter raised in the examination report. After the 30-day rebuttal period, the IC must either adopt the report as filed, with applicable modifications or corrections, or reject the report with directions to the examiner to reopen the examination for purposes of obtaining additional data, documentation, or information. This bill requires an insurance company to take corrective action to remediate a violation of law identified in an examination report or other operational report conducted by the IC, subjects a company that fails to adopt necessary corrective action in a timeframe agreed upon by the IC to a penalty of up to $20,000 for each failure, and specifies IC adjudication procedures to compel penalty payment and report compliance.

3) **Related Legislation.** AB 1680 (Calderon) requires the California FAIR Plan Association (FAIR Plan) to take action to correct a violation identified after an examination or other operational report conducted by the IC and imposes a fine of up to $20,000 for each violation if the FAIR Plan fails to take corrective action within the timeframe agreed upon by the IC. AB 1680 is pending hearing by the Senate Appropriations Committee.

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