SENATE THIRD READING
SB 1209 (Allen)
As Amended June 10, 2026
Majority vote

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.

Major Provisions

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 (described 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.

COMMENTS

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.

According to the Author

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."

Arguments in Support

According to the Sponsor of the bill, Insurance Commissioner Ricardo Lara, "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

None on file.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, 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.

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).

VOTES

SENATE FLOOR: 30-8-2
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Seyarto, Strickland, Valladares
ABS, ABST OR NV: Niello, Ochoa Bogh

ASM INSURANCE: 15-1-1
YES: Calderon, Wallis, Addis, Papan, Ávila Farías, Berman, Chen, Gipson, Harabedian, Krell, Nguyen, Ortega, Petrie-Norris, Michelle Rodriguez, Valencia
NO: Hadwick
ABS, ABST OR NV: Ellis

ASM APPROPRIATIONS: 12-2-1
YES: Wicks, Hoover, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
NO: Dixon, Tangipa
ABS, ABST OR NV: Ta

UPDATED

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