Office of Senate Floor Analyses
(916) 651-4171

UNFINISHED BUSINESS

Bill No: SB 1209
Author: Allen (D)
Amended: 6/10/26
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

SENATE FLOOR: 30-8, 5/19/26
AYES: 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
NOES: Alvarado-Gil, Choi, Dahle, Grove, Jones, Seyarto, Strickland, Valladares
NO VOTE RECORDED: Niello, Ochoa Bogh

ASSEMBLY FLOOR: Passed, 8/27/26

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.

Assembly Amendments specify the considerations for penalty assessment of insurance agents and brokers by the Commissioner.

ANALYSIS:

Existing law:

1) States that the 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 refiling.

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 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 findings 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 findings contained in the report.

7) Requires related hearings 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 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).

SUPPORT: (Verified 8/25/26)

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

OPPOSITION: (Verified 8/25/26)

None received

ARGUMENTS IN SUPPORT:

Insurance Commissioner Ricardo Lara / California Department of Insurance, sponsor of thid bill, states:

"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 actions 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 corrective actions within an agreed-upon timeframe, establishes a formal order-to-show-cause process, authorizes penalties of up to $20,000 for each failure to take corrective action, and allows insurers to request additional time to comply. 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."

Prepared by: Brandon Seto / INS. / (916) 651-4110
8/27/26 15:12:14

****** END ******