

# DEPARTMENT OF INSURANCE

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*Commissioner: Ricardo Lara ♦ Toll-Free Consumer Hotline: (800) 927-4357 ♦ Licensing Hotline: (800) 967-9331 ♦ Internet: [www.insurance.ca.gov](http://www.insurance.ca.gov)*

**I**nsurance remains the sole interstate business exclusively regulated by state governments rather than federal oversight. In California, the Department of Insurance (DOI or the Department), organized in 1868, holds this responsibility.

The DOI, headed by an elected Insurance Commissioner since 1988, operates under the authority of Insurance Code sections 12900 through 12938. Authorization for DOI is found in section 12906 of the 1,000-page Insurance Code, while the Department's operational regulations are codified in Chapter 5, Title 10 of the California Code of Regulations (CCR).

The California DOI stands as the consumer protection agency for the nation's largest insurance marketplace, ensuring consumer protection through insurance industry regulation. This entails licensing of agents and brokers and admitting companies to offer insurance products within the state. With a workforce of almost 1,400 employees, the DOI oversees more than 1,400 insurance companies and licenses more than 485,000 agents, brokers, adjusters, and business entities. Annually, DOI processes more than 8,000 rate applications and issues approximately 280,000 licenses (new and renewals). DOI conducts hundreds of financial reviews and insurer examinations while managing 170,000 consumer assistance calls, investigating more than 37,000 consumer complaints, and recovering over \$84 million annually for consumers. In addition, DOI receives and processes tens of thousands of referrals regarding suspected fraud against insurers and conducts criminal investigations resulting in thousands of arrests every year.

Beyond its licensing role, the DOI serves as the principal agency involved in collecting annual taxes paid from the insurance industry, overseeing over 175 different fees levied against

insurance producers and companies. The Department performs the following consumer protection functions: (1) it ensures solvency through tri-annually auditing all domestic insurance firms and selective participation in the auditing of other companies licensed in California but organized in another state or foreign country; (2) it evaluates and approves/disapproves tens of thousands of insurance policies and related forms annually as required by statute, principally related to accident and health, workers' compensation, and group life insurance; (3) it sets rates and rules for workers' compensation insurance; (4) it preapproves rates in certain lines of insurance under Proposition 103 and enforces compliance with the general rating law in others; and (5) it assumes control of insurance companies facing financial or significant challenges .

The Insurance Code empowers the Commissioner to hold hearings to assess brokers' or carriers' adherence to state law and issue orders to cease business operations within the state. However, the Commissioner may not force an insurer to pay a claim; that power is reserved for the courts.

DOI's Consumer Services Division (CSD) manages consumer inquiries and complaints regarding insurance companies or producers. CSD comprises four separate bureaus: Consumer Communications Bureau; Claims Services Bureau; Health Claims Bureau; and Rating and Underwriting Services Bureau. CSD operates the Department's toll-free complaint line. Through its bureaus, CSD responds to general information requests, investigates and resolves individual consumer complaints against insurers, agents, and brokers; monitors trends in code violations; and collaborates with law enforcement for compliance enforcement. Unresolved cases from the CSD are transferred to DOI's Legal Division, which possesses the authority to formally charge licensees and impose appropriate disciplinary actions, including cease and desist orders, fines, and license revocation.

Founded in 1979, the Department’s Fraud Division protects the public from financial harm by actively investigating and arresting insurance fraud perpetrators. The Fraud Division operates through four separate fraud programs: automobile; workers’ compensation; property, life, and casualty; and disability and health care.

On October 14, 2022, Commissioner Lara [announced](#) statewide board appointments to advance the Department’s consumer protection mission. [*see* [28:1 CRLR 63–66](#)]

## **HIGHLIGHTS**

### **Department of Insurance Co-Hosts Forum on Federal Resources Available to Californians Recovering from Natural Disasters**

On February 6, 2023, Ricardo Lara, Commissioner of the California Department of Insurance (DOI), issued a [press release](#) regarding a public forum discussing federal resources for those impacted by natural disasters. This includes plans for aid following events such as wildfires, earthquakes, and hurricanes, which have historically affected communities and individuals. Examples include the 2018 Camp Fire in Paradise, California, and the more recent 2020 and 2021 widespread wildfires that swept across California. Commissioner Lara and U.S. Senator Alex Padilla co-hosted this forum in the wake of the winter storms that have affected California’s coast. Senator Padilla said, “Californians have battled relentless rainstorms, flooding, and landslides that damaged infrastructure and property in communities throughout the state, and most tragically, cost 22 people their lives. That’s why it’s important for Californians to know that after this winter’s storms, assistance is available to help them recover.”

The forum highlighted federal resources accessible to Californians. It specifically mentioned two federal agencies: (1) The Federal Emergency Management Agency ([FEMA](#)), offering disaster housing assistance, crisis counseling, and disaster unemployment assistance, and (2) the Small Business Administration ([SBA](#)), extending disaster loans to help small businesses recover from the effects of natural disasters. Furthermore, the forum directed Californians' attention to the National Flood Insurance Program ([NFIP](#))—under the guise of FEMA—which provides insurance coverage for flood-induced damage. This specific program covers homeowners, renters, and businesses, offering coverage for up to \$250,000 per home and \$500,000 per business.

Commissioner Lara's *primary* concern in the aftermath of these storms is ensuring insurers' readiness for future disasters, including having adequate resources and staffing in place. Commissioner Lara touched on the importance of improving California's overall disaster response system, streamlining insurance claims processing, and facilitating resource access for individuals and businesses. In addition, he aims to collaborate with FEMA and the SBA, optimizing their aid for disaster-affected Californians. "Communities across our state are still picking up the pieces, reclaiming the sense of safety they lost in the storms—and the reality is that recovering from a natural disaster is a marathon, not a sprint," said Lara. He also discussed the need for increased investment in disaster resilience and mitigation measures, such as better building codes, fireproofing measures, and early warning systems.

More specifically, FEMA's [disaster housing assistance](#) can provide temporary housing for displaced individuals in promoting the recovery process. In addition, SBA's [disaster loans](#) can help small businesses recover financially, providing financial assistance for repair and rebuilding

efforts. Californians looking for more information on resources available to help during the recovery process can visit Senator Padilla’s Disaster Resource [page](#) for more information.

## **DOI Supports AB 970: Establishing a Climate and Sustainability Insurance and Risk Reduction Program**

Assemblymember Luz Rivas introduced [AB 970 \(Rivas\)](#), on February 14, 2023, supported by the Department of Insurance (DOI). AB 970 proposes adding and repealing Article 2.5 (commencing with section 12945) of Chapter 2 of Division 3 of the Insurance Code, to establish, and require DOI to administer, the Climate and Sustainability Insurance and Risk Reduction Program. Focused on mitigating climate change challenges in California, the program seeks to expand insurance options for underserved communities vulnerable to climate risks who are currently uninsured or underinsured. AB 970 furthers Commissioner Lara’s [Sustainable Insurance Roadmap, aligned](#) with the United Nations’ Principles for Sustainable Insurance Initiative in [November 2022](#). AB 970 seeks to realize the Roadmap’s goals, including creating proof of concepts promoting investment in natural infrastructure and incentivizing private investment in natural lands for reduced climate risks to public safety, property, utilities, and infrastructure.

If passed, the bill would establish six climate insurance pilot projects in specified local jurisdictions. These projects would target flooding and heat risks, bridging protection gaps in high-risk and low-insurance-coverage communities. Local jurisdictions would be required to develop and establish a specific pilot project in consultation with DOI to define pilot project objectives, prioritizing pre-disaster mitigation. The department would provide technical support for the pilot projects and establish a competitive grant solicitation program to support the design and funding of readily implementable and scalable climate risk-mitigating and insurance-expanding projects.

However, the bill imposes new responsibilities of local jurisdictions for the pilot programs, creating a state-mandated local initiative. The California Constitution requires the state to reimburse local agencies and school districts for specific state-mandated expenses. If the Commission on State Mandates concludes that the bill contains state-mandated costs, reimbursement for those costs shall be made under the statutory provisions.

On March 22, the bill was passed in committee and referred to the Assembly Committee on Appropriations. At this writing, no further action has been taken.

## MAJOR PUBLICATIONS

The following reports/studies/guidelines have been conducted by or about CDI during this reporting period:

- [\*Evaluation of the Qualifying Examination for a License as a Life Agent and Accident and Health or Sickness Agent Taken in Spanish\*](#), CDI, Licensing Services Division, February 28, 2023 (pursuant to [AB 1899 \(Calderon\) \(Chapter 560, Statutes of 2016\)](#), CDI is required to offer life agent and accident and health or sickness agent license examinations in both English and Spanish from 2018 to 2024, amending California Insurance Code section 1677).

## LEGISLATION

- [AB 970 \(Luz Rivas\)](#), as introduced on February 14, 2023, would add and repeal Article 2.5 (commencing with Section 12945) of Chapter 2 of Division 3 of the Insurance Code. This bill would require DOI to establish the Climate and Sustainability Insurance and Risk Reduction Program, facilitating insurance options in vulnerable communities. The bill would establish six climate insurance pilot projects in specified local jurisdictions, providing technical support for the pilot projects, and initiating a competitive grant solicitation program to support

projects addressing climate risks and insurance expansion. If the Commission on State Mandates concludes that the bill contains state-mandated costs, reimbursement for those costs shall be made pursuant to the statutory provisions. *[A. Appr]*

## **LITIGATION**

- ***Consumer Watchdog v. Los Angeles Superior Court, et al., Case No. B326643 (Cal. Ct. App.)***. On January 9, 2023, the Superior Court granted petitioner’s writ of mandate in part and denying in part. While the trial court sustained several of petitioner’s objections, noting that the information should have been provided in response to the discovery requests, the trial court deemed the Real Party in Interest’s initial search as reasonable. Consequently, the trial court declined the Consumer Watchdog’s request for an order directing the Department to conduct a new search incorporating the clear leads uncovered in their search for records.

On February 23, 2023, Consumer Watchdog filed a petition for extraordinary writ in the Second District Court of Appeal. Consumer Watchdog asks the Court of Appeal to direct the Superior Court to set aside and vacate the part of the order denying its petition and remand the proceeding with direction to the trial court considering the correct legal standard.