

DEPARTMENT OF INSURANCE

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

Insurance remains the sole interstate business exclusively regulated by state governments rather than federal oversight. In California, the Department of Insurance (CDI or the Department), organized in 1868, holds this responsibility. CDI, headed by an elected Insurance Commissioner since 1988, operates under the authority of Insurance Code sections 12900 through 12938. Authorization for CDI 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 Department 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, CDI oversees more than 1,400 insurance companies and licenses more than 495,000 agents, brokers, adjusters, and business entities. Annually, CDI processes more than 8,000 rate applications and issues approximately 285,000 licenses (new and renewals). CDI 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, CDI 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, CDI 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.

CDI'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 CDI'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 September 1, 2023, Commissioner Lara [announced](#) the appointment and reappointment of new members to three of CDI's boards and committees. The Curriculum Board oversees the development of pre-licensing and continuing education curriculum for agents and brokers to uphold professional standards that protect consumers. The Curriculum Board also develops standards for providers and instructors who offer courses and other training to licensed agents and brokers. Three new members were appointed to the Curriculum Board on September 1, 2023:

- Colbie McRae is President of insureCAL Insurance Agency and serves as an agent/broker representative with a term ending on September 1, 2026. Mr. McRae started his business in 2015, primarily focusing on serving the agriculture industry with other full-service services and insurance products. Mr. McRae serves as Treasurer of the Western Insurance Agents Association (WIAA) and is a past board member of the Carnegie Arts Center and Jessica's House Heart Circle Committee.

- Gloria Mitchell is the Owner/Operator of Gloria Mitchell Bail Bonds and serves as the bail agent representative with a term ending September 1, 2026. Ms. Mitchell has focused on the bail industry for over 30 years and has owned her agency for 23 years. She is a Pomona Chamber of Commerce member and a former California Small Business Association board member. She has been a member of the California Bail Agents Association Board of Directors for

16 years, serving as Vice President of the Executive Board for four years and as President for six years.

- Vinh Truong is the Founder and CEO of CMT Insurance Agency and serves as the life agent representative with a term ending on September 1, 2026. Mr. Truong also serves as Mayor Pro Tem for the City of Duarte. Mr. Truong previously held a seat on the Duarte Economic Development Commission, served as a board member of the Santa Anita Family YMCA, and, in 2019, was appointed to participate in Duarte’s Financial Advisory Taskforce. Further, Mr. Truong is a member of the Los Angeles County Asian American Employee Association (LACAAEA) where he represents and advises the organization on matters related to Asian American Employees within LA County.

The California Organized Investment Network (COIN) Advisory Board guides the Commissioner regarding the COIN program. COIN helps guide insurers to make financially sound investments that yield environmental benefits throughout California and focus on social benefits within the State’s underserved communities. Two members were reappointed to the COIN Advisory Board on September 1, 2023:

- Rudy Espinoza serves as the consumer advocacy group representative with a term ending on July 12, 2025. Mr. Espinoza is Executive Director of Inclusive Action for the City, a nonprofit Community Development Financial Institution (CDFI). Mr. Espinoza also co-founded the LA Street Vendor Campaign to legalize street vending in Los Angeles and decriminalize street vending in California with the signing of [SB 946 \(Lara\) \(Chapter 459, Statutes of 2018\)](#). He serves on the Board of Directors for UNIDOS US, United Way of Greater Los Angeles, Abode Community Housing, and the Center for Nonprofit Management. Mr. Espinoza is the only member of the September 1, 2023, appointments who is not an active participant in the insurance industry.

- Maité Irakoze Baur serves as the insurance investment executive representative with a term ending on July 12, 2025. Ms. Irakoze Baur is Chief Investment Officer for Farmers Insurance Group, where she manages more than \$25 billion of Farmers investments and \$8 billion of retirement plan assets. Ms. Irakoze Baur previously was Head of Investment Mandates and Treasury in Investment Management Switzerland for Zurich Insurance Group, where she implemented the investment strategy and liquidity management for various insurance balance sheets based in Switzerland.

On June 16, 2023, Commissioner Lara [announced](#) the appointment and reappointment of new members to two of CDI's boards and committees. Four new members were appointed to the Curriculum Board:

- Janise Graham serves as the Life Agent Trade Association representative with a term ending on June 16, 2026. Ms. Graham is President and CEO of Leaving In Style, Inc. and Owner/Business Strategist of Entrepreneur's Insurance Services. Ms. Graham serves as Business Counselor at Inland Empire Center for Entrepreneurship-Inland Empire Women's Business Center, as well as Vice President of the National Association of Insurance and Financial Advisors (NAIFA) California Board of Directors and is a current member and past Board President of the National Association of Women Business Owners (NAWBO) Inland Empire Chapter.

- Doug Smith serves as the consumer group representative with a term ending on June 16, 2026. Mr. Smith is Director of Policy and Coalition Building for Public Counsel, a nonprofit public interest law firm focused on advancing civil rights and racial and economic justice. He also teaches courses on community lawyering at Occidental College and co-taught the Community Economic Development Clinic at UCLA School of Law.

- Monique Howard serves as an insurance company representative with a term

ending on June 17, 2026. Ms. Howard is Assistant Vice President at Allied World Insurance Company. She is a board member and Treasurer of the Pacific Coast Regional Advisory Committee of Inland Marine Underwriters Association and is a board member of the San Francisco Bay Area Chapter of National African American Insurance Association.

- Sandra Moriarty serves as a consumer group representative with a term ending on June 17, 2026. Ms. Moriarty is an Insurance Specialist for the non-profit insurance organization, United Policyholders (UP), where she helps UP's Roadmap to Recovery Program guide disaster survivors and legal professionals through the insurance claims process as a subject matter expert.

One member was reappointed to the CAARP Advisory Committee on June 16, 2023:

- Nona Tirre Miranda serves as the producer representative with a term ending on July 12, 2024. Tirre Miranda has been the owner and operator of a State Farm Insurance agency for the last 13 years in Claremont. Tirre Miranda was awarded the State Farm Top 100 New Agents within the United States, the Woman of the Year award by then-State Assemblywoman Norma Torres in 2012, and the Small Business of the Year award by then-State Senator Gloria Negrete McLeod in 2011. She is President of the Claremont Rotary Board of Directors and is Chair of the City of Claremont Police Commission.

As of this writing, no vacancies exist in any of the CDI's boards or committees.

HIGHLIGHTS

Commissioner Lara Announces, “Sustainable Insurance Strategy” Drawing Strong Opposition from Consumer Advocacy Groups

On September 21, 2023, Governor Newsom signed [Executive Order N-13-23](#) directing the Insurance Commissioner “to take prompt regulatory action to strengthen and stabilize California’s marketplace for homeowners insurance and commercial property insurance, and to consider whether the recent sudden deterioration of the private insurance market presents facts that support emergency regulatory action.” In concert with Governor Newsom’s Order, Commissioner Ricardo Lara announced his [Sustainable Insurance Strategy](#)—a package of executive actions representing the largest insurance reform since voters passed [Proposition 103](#). The strategy aims to expand consumer options and availability of insurance, particularly in underserved, high-risk areas, and to stabilize California’s insurance market. Under this new deal, insurers have agreed to write 85% of their statewide market share in high-fire-risk zones, leaving the remaining 15% covered by the FAIR plan and other higher-cost insurers. According to CDI, this will help maintain the solvency of the FAIR plan and bring FAIR customers back into the private market. In exchange, Commissioner Lara plans to allow insurers to use climate catastrophe models when asking to raise rates and to include reinsurance costs into rate filings—both measures could purportedly weaken consumer protections under Proposition 103, enacted by initiative vote in 1988.

Commissioner Lara emphasized that the Sustainable Insurance Strategy will improve the rate approval process’s efficiency, speed, and transparency. However, advocacy groups such as Consumer Watchdog (the primary sponsor of Proposition 103) strongly [disagree](#). A [report](#) published by the group in May 2023 contends that “statements by insurance companies doing

business in California that they have ‘lost money’ on homeowners insurance for the last 26 years...[and statements] that Proposition 103 is preventing them from charging adequate rates” are false. Consumer Watchdog [argues](#) that CDI’s Sustainable Insurance Strategy is not the result of catastrophic losses, but rather, “insurance companies are using their economic power to create shortages for the purpose of pressuring elected officials to change the rules that have kept insurance premiums in California stable.” Harvey Rosenfield, author of Proposition 103, contends that Commissioner Lara “sold out Californians in exchange for a ‘promise,’ negotiated behind closed doors, that the insurance industry will start behaving itself once it gets the go-ahead to charge homeowners and renters hundreds or even thousands of dollars more every year.” Climate catastrophe algorithms and Artificial Intelligence models, which insurers may now use to calculate rates under the new plan, are largely untested and often biased.

Proposition 103 requires all such rate-setting methods to be open to public scrutiny as part of the public rate-setting process, but the insurance industry does not make its models public. According to Consumer Watchdog, “this secrecy is guaranteed to lead to higher premiums” and does not comply with Proposition 103’s transparency requirements. The group found that “allowing insurance companies to force their policyholders to pay for reinsurance coverage bought on the global marketplace, which is unregulated and subject to massive swings in response to events anywhere in the world...would increase premiums by 30–50% overnight.”

In addition, Consumer Watchdog contends that the fire damage stimulating record homeowner claims ignores the damages recorded from utilities based on regular fire protection. It contends that the record influx of utility payments undermines its false contention of losses justifying steep rates or massive coverage abandonment. Both CDI and Consumer Watchdog continue to comment as the initiative develops.

MAJOR PUBLICATIONS

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

- [2023 Insurance Diversity Index Methodology Report](#), California Department of Insurance, October 2023 (provides diversity data on insurance companies and industry participants to measure progress, increase transparency, foster accountability, and provide a benchmarking tool for insurance companies and consumers to evaluate diversity among competitors).
- [California Organized Investment Network Newsletter](#), California Department of Insurance, California Organized Investment Network (COIN), September 2023 (provides an overview of the COIN program, reviews statistics from the COIN Impact Metrics Survey, describes the California Wildfire Innovation Fund’s efforts in blue forest conservation, provides a sample of COIN-qualified investment projects, and announces team member updates).
- [2022 Annual Report of the Commissioner](#), California Insurance Commissioner, August 1, 2023 (report to the legislature, as required by California Insurance Code section 12922, detailing the condition of the insurance business in California and the work done regulating the market in 2022).

RULEMAKING

The following is a status update on recent rulemaking proceedings initiated by CDI:

- **Mandatory Moratorium on Cancellations and Non-Renewals of Policies of Residential Property Insurance After the Declaration of a State of Emergency:** On September 14, 2023, Commissioner Lara posted a [bulletin](#) announcing his issuance of a mandatory moratorium on cancellations and non-renewals of residential property insurance policies following

Governor Newsom’s August 29, 2023, [emergency declarations](#). This action will preserve residential insurance coverage for more than 15,000 policyholders affected by fires in Del Norte County and Siskiyou County, according to a [press release](#) issued by CDI on September 14, 2023. The moratorium applies to policyholders in zip codes affected by the Smith River Complex Fire and the Happy Camp Complex Fire. Commissioner Lara’s ability to issue moratoriums is a result of [SB 824 \(Lara\) \(Chapter 616, Statutes of 2018\)](#), which authorizes the Insurance Commissioner to take such action to provide temporary relief from insurance non-renewals and cancellations to residents living within or adjacent to a gubernatorial-declared wildfire disaster. The moratorium will automatically terminate on August 29, 2024.

- **Medicare Supplement New or Innovative Benefits:** On June 2, 2023, CDI posted a [notice](#) of proposed rulemaking that would add Title 10, Chapter 5, Subchapter 2, Article 1.6, Section 2220.59 to the Insurance Code. According to the [Initial Statement of Reasons](#), this rulemaking will ensure that current and prospective policyholders of Medicare Supplement insurance are notified of the existence of and details concerning plans with new or innovative benefits. Given that such plans can differ with respect to the benefits covered and the out-of-pocket costs for those benefits, this rulemaking would require issuers to provide clear descriptions of the costs and benefits of each plan in a standardized format so that consumers can make informed decisions. The period for public comment closed on July 18, 2023.

On October 20, 2023, CDI published a [notice of addition to rulemaking](#) with a [form 399 addendum](#). The addendum states that since plans can differ to which new or innovative benefits are covered and the out-of-pocket costs for the benefits, the regulations are needed to ensure policyholders or certificate holders are well informed of the new or innovative benefit plans. Thus,

CDI shall work with the Department of Managed Health Care, consumer representatives, and issuers to decide on policies and procedures.

LEGISLATION

- [AB 970 \(Rivas\)](#), as amended September 1, 2023, would have amended Article 2.5 of Chapter 2, Division 3 of the Insurance Code. This bill would have required CDI to establish the Climate and Sustainability Insurance and Risk Reduction Program, facilitating insurance options in vulnerable communities. The bill would have established eight climate insurance pilot projects in specified local jurisdictions, provide technical support for the pilot projects, and initiate a competitive grant solicitation program to support projects addressing climate risks and insurance expansion. Governor Newsom [vetoed](#) this bill on October 8, 2023, citing budget concerns as his primary reason for rejecting AB 970, noting that the bill creates a significant state reimbursable mandate and new cost pressures in the millions of dollars.

- [AB 844 \(Gipson\)](#), as amended July 3, 2023, adds Article 10.9 (commencing with section 938) to Chapter 1 of Part 2 of Division 1 of the Insurance Code. The bill requires CDI to implement specific data collections on the availability and affordability of insurance for heavy-duty trucks and truck fleets, and provide public access to this aggregate information. CDI must consult with the State Air Resources Board to create an online insurance information resource tool through which the public can find information and insurance options for battery-powered, hydrogen-powered, or other zero-emission advanced truck technology. The bill also requires the department to create a strategy to address insurance gaps for new heavy-duty truck technologies, as specified. Governor Newsom signed AB 844 on October 7, 2023 (Chapter 347, Statutes of 2023).

- [AB 458 \(Jones-Sawyer\)](#), as amended July 3, 2023, amends section 2505 of the Civil Code. This bill provides that insurance coverage offered, made available, or confirmed for shared mobility devices (bird scooters, e-bikes, etc.) is not a group insurance policy. Furthermore, it mandates that the requirement on shared mobility service providers to offer insurance coverage for bodily injury or death suffered by a pedestrian involving the negligent conduct of the user does not prohibit an aggregated cap on that insurance coverage. Governor Newsom signed AB 458 on October 8, 2023 (Chapter 440, Statutes of 2023).