

0845 Department of Insurance

California's elected Insurance Commissioner regulates the second largest insurance market in the world with insurance companies collecting more than \$400 billion in premiums annually in California while protecting consumers and ensuring the health and sustainability of the insurance marketplace. The vision of the California Department of Insurance (CDI) is "Innovative Insurance Protection for All Californians." CDI accomplishes this by enforcing insurance laws and regulations, assisting consumers in their dealings with insurance companies, and enhancing business processes to improve services for insurance producers, consumers, and businesses. Through initiatives like the Sustainable Insurance Strategy, CDI further seeks to address immediate challenges, like wildfire risks, with improved risk assessment tools, and establish regulations that better address emerging and future challenges such as those posed by climate change and other external factors which impact the availability of insurance coverage statewide.

CDI licenses and regulates insurance companies and individuals in California. Currently, CDI oversees and licenses more than 1,700 insurance companies and more than 520,000 individuals and business entities as insurance agents, brokers, adjusters, and bail agents and annually issues approximately 260,000 licenses (new and renewals). Additionally, CDI receives and investigates approximately 373,000 consumer and licensee inquiries and complaints annually, performs hundreds of ongoing risk-focused financial surveillances and market conduct examinations of insurance companies, receives approximately 21,000 suspected fraudulent claim referrals and investigates approximately 1,000 of those referrals, receives and reviews approximately 4,250 rate filing applications annually, and works in conjunction with local, state, and federal law enforcement agencies to investigate and prosecute fraudulent insurance practices.

3-YEAR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2024-25	2025-26	2026-27	2024-25*	2025-26*	2026-27*
0520 Regulation of Insurance Companies and Insurance Producers	399.7	470.0	470.0	\$109,537	\$125,457	\$113,616
0525 Consumer Protection	301.5	339.0	339.0	73,126	77,232	77,569
0530 Fraud Control	252.1	325.3	325.3	155,648	165,214	165,393
0535 General Fund Tax Collection and Compliance	6.1	7.0	7.0	1,359	1,640	1,641
9900100 Administration	235.8	256.0	256.0	43,957	46,501	46,548
9900200 Administration - Distributed	-	-	-	-43,957	-46,501	-46,548
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	1,195.2	1,397.3	1,397.3	\$339,670	\$369,543	\$358,219
FUNDING		2024-25*		2025-26*		2026-27*
0001 General Fund		\$6,265		\$19,271		\$6,823
0217 Insurance Fund		333,077		349,523		350,647
0890 Federal Trust Fund		25		25		25
0995 Reimbursements		303		724		724
TOTALS, EXPENDITURES, ALL FUNDS		\$339,670		\$369,543		\$358,219

LEGAL CITATIONS AND AUTHORITY

PROGRAM AUTHORITY

0520-Regulation of Insurance Companies and Insurance Producers:
Insurance Code, Sections 1-16032, except as noted below.

0525-Consumer Protection:
Insurance Code, Division 1, Part 2, Chapter 1, Articles 4, 5.1, 6, 6.3, and 6.5, Chapter 5, Article 12, Sections 1872.81, 10127.17, 10273.7, 11629.7-11629.89, 12921.1-12921.5, 12928, and 12930.

0530-Fraud Control:
Insurance Code, Division 1, Part 2, Chapter 12 (except Section 1872.81 cited above).

0535-General Fund Tax Collection and Compliance:
Insurance Code, Sections 1774-1780; and Revenue and Taxation Code, Part 7 of Division 2.

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DETAILED BUDGET ADJUSTMENTS

	2025-26*			2026-27*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
Workload Budget Adjustments			-			-
Other Workload Budget Adjustments			-			-
• Section 4.12 Vacancy Savings and Position Elimination Adjustment	\$-	\$-	-3.0	\$-	\$-	-3.0
• Other Post-Employment Benefit Adjustments	-98	-4,257	-	-99	-4,494	-
• Retirement Rate Adjustments	300	11,269	-	300	11,269	-
• Benefit Adjustments	13	863	-	33	1,605	-
• Salary Adjustments	-4	77	-	29	696	-
Totals, Other Workload Budget Adjustments	\$211	\$7,952	-3.0	\$263	\$9,076	-3.0
Totals, Workload Budget Adjustments	\$211	\$7,952	-3.0	\$263	\$9,076	-3.0
Totals, Budget Adjustments	\$211	\$7,952	-3.0	\$263	\$9,076	-3.0

PROGRAM DESCRIPTIONS

0520 - REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS

The objectives of this program are to: (1) oversee the financial solvency of insurance companies to make sure they can provide the benefits and protections promised to California policyholders; (2) review complex, principles-based reserving methods and underlying assumptions to ensure transparency and consistency in models; (3) prevent unlawful or unfair practices by insurance companies and insurance producers as defined by the Insurance Code; (4) ensure that property and casualty insurance rates are not excessive, inadequate, unfairly discriminatory, or otherwise in violation of the California Insurance Code and the California Code of Regulations; (5) assess and implement strategies to reduce climate risk impacts in the insurance sector; (6) review health insurance rates filed with CDI to determine whether they are reasonable and work with insurance companies to get unreasonable rates lowered; (7) review long term care insurance rates to ensure requested rate increases are actuarially justified and not excessive; (8) perform market conduct reviews to ensure compliance; and (9) ensure that applicants for insurance licenses and holders of insurance licenses, satisfy and maintain the qualifications for licensure. Additionally, CDI administers the estates of insolvent and delinquent insurance companies through the Conservation and Liquidation Office.

0525 - CONSUMER PROTECTION

The objectives of this program are to: (1) provide direct service to California consumers by protecting insurance policyholders and other parties involved in insurance transactions against unfair or illegal practices with respect to claims handling, rating, or underwriting by insurers and producers; (2) protect applicants and policyholders from discriminatory, unlawful, or fraudulent practices and from incompetence relating to the sale of insurance; (3) oversee programs that benefit California's underserved and historically disadvantaged communities; and (4) assist wildfire survivors, local governments, small businesses, community service organizations, and neighborhood associations by providing access to CDI's services through electronic and printed informational guides, workshops, seminars, roundtables, and town halls.

0530 - FRAUD CONTROL

The objective of this program is to protect the public from economic loss by actively investigating, arresting and referring for prosecution those who commit insurance fraud and other violations of the law. The program is primarily staffed by sworn peace officers who conduct criminal investigations of insurance fraud and related criminal cases. The program administers the Insurance Frauds Prevention Act (IFPA), which authorizes CDI to conduct criminal insurance fraud investigations. In addition, the IFPA authorizes the Commissioner to initiate or intervene in whistle-blower "qui tam" actions seeking civil penalties against perpetrators of insurance fraud.

0535 - GENERAL FUND TAX COLLECTION AND COMPLIANCE

This program performs tax collection, ensures the compliance of insurance companies and surplus line brokers with the laws contained in the Insurance Code and the Revenue and Taxation Code, and works with the California Department of Tax and Fee Administration and the State Controller's Office on various refund, assessment, and accounting matters relative to the premium tax program. Tax collections from this program are deposited in the state's General Fund.

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DETAILED EXPENDITURES BY PROGRAM

		<u>2024-25*</u>	<u>2025-26*</u>	<u>2026-27*</u>
	PROGRAM REQUIREMENTS			
0520	REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS			
	State Operations:			
0001	General Fund	\$-	\$12,500	\$-
0217	Insurance Fund	109,534	112,707	113,366
0995	Reimbursements	3	250	250
	Totals, State Operations	<u>\$109,537</u>	<u>\$125,457</u>	<u>\$113,616</u>
	SUBPROGRAM REQUIREMENTS			
0520010	Rate Regulation			
	State Operations:			
0217	Insurance Fund	\$42,398	\$32,188	\$32,373
0995	Reimbursements	3	250	250
	Totals, State Operations	<u>\$42,401</u>	<u>\$32,438</u>	<u>\$32,623</u>
	SUBPROGRAM REQUIREMENTS			
0520019	Regulatory			
	State Operations:			
0001	General Fund	\$-	\$12,500	\$-
0217	Insurance Fund	20,799	34,538	34,527
	Totals, State Operations	<u>\$20,799</u>	<u>\$47,038</u>	<u>\$34,527</u>
	SUBPROGRAM REQUIREMENTS			
0520028	Licensing			
	State Operations:			
0217	Insurance Fund	\$39,849	\$36,388	\$36,874
	Totals, State Operations	<u>\$39,849</u>	<u>\$36,388</u>	<u>\$36,874</u>
	SUBPROGRAM REQUIREMENTS			
0520037	Special Programs			
	State Operations:			
0217	Insurance Fund	\$6,488	\$9,593	\$9,592
	Totals, State Operations	<u>\$6,488</u>	<u>\$9,593</u>	<u>\$9,592</u>
	PROGRAM REQUIREMENTS			
0525	CONSUMER PROTECTION			
	State Operations:			
0001	General Fund	\$344	\$1,030	\$1,031
0217	Insurance Fund	72,378	75,452	75,788
	Totals, State Operations	<u>\$72,722</u>	<u>\$76,482</u>	<u>\$76,819</u>
	Local Assistance:			
0217	Insurance Fund	\$404	\$750	\$750
	Totals, Local Assistance	<u>\$404</u>	<u>\$750</u>	<u>\$750</u>
	SUBPROGRAM REQUIREMENTS			
0525010	Legal Compliance			
	State Operations:			
0217	Insurance Fund	\$12,021	\$14,502	\$14,785
	Totals, State Operations	<u>\$12,021</u>	<u>\$14,502</u>	<u>\$14,785</u>
	SUBPROGRAM REQUIREMENTS			
0525019	Investigations			
	State Operations:			
0217	Insurance Fund	\$16,946	\$20,509	\$20,531
	Totals, State Operations	<u>\$16,946</u>	<u>\$20,509</u>	<u>\$20,531</u>
	Local Assistance:			
0217	Insurance Fund	\$404	\$750	\$750

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		<u>2024-25*</u>	<u>2025-26*</u>	<u>2026-27*</u>
	Totals, Local Assistance	\$404	\$750	\$750
	SUBPROGRAM REQUIREMENTS			
0525028	Consumer Services and Market Conduct			
	State Operations:			
0217	Insurance Fund	\$43,411	\$40,441	\$40,472
	Totals, State Operations	<u>\$43,411</u>	<u>\$40,441</u>	<u>\$40,472</u>
	SUBPROGRAM REQUIREMENTS			
0525037	Enhanced Fraud Investigation Division			
	State Operations:			
0001	General Fund	\$344	\$1,030	\$1,031
	Totals, State Operations	<u>\$344</u>	<u>\$1,030</u>	<u>\$1,031</u>
	PROGRAM REQUIREMENTS			
0530	FRAUD CONTROL			
	State Operations:			
0001	General Fund	\$5,921	\$5,741	\$5,792
0217	Insurance Fund	65,372	76,952	77,080
0890	Federal Trust Fund	25	25	25
0995	Reimbursements	300	474	474
	Totals, State Operations	<u>\$71,618</u>	<u>\$83,192</u>	<u>\$83,371</u>
	Local Assistance:			
0217	Insurance Fund	\$84,030	\$82,022	\$82,022
	Totals, Local Assistance	<u>\$84,030</u>	<u>\$82,022</u>	<u>\$82,022</u>
	SUBPROGRAM REQUIREMENTS			
0530010	Fraud - Auto			
	State Operations:			
0217	Insurance Fund	\$19,904	\$30,873	\$30,925
0995	Reimbursements	300	474	474
	Totals, State Operations	<u>\$20,204</u>	<u>\$31,347</u>	<u>\$31,399</u>
	Local Assistance:			
0217	Insurance Fund	\$25,248	\$22,100	\$22,100
	Totals, Local Assistance	<u>\$25,248</u>	<u>\$22,100</u>	<u>\$22,100</u>
	SUBPROGRAM REQUIREMENTS			
0530019	Fraud - Workers' Compensation			
	State Operations:			
0217	Insurance Fund	\$38,625	\$36,792	\$36,854
0890	Federal Trust Fund	25	25	25
	Totals, State Operations	<u>\$38,650</u>	<u>\$36,817</u>	<u>\$36,879</u>
	Local Assistance:			
0217	Insurance Fund	\$53,182	\$53,106	\$53,106
	Totals, Local Assistance	<u>\$53,182</u>	<u>\$53,106</u>	<u>\$53,106</u>
	SUBPROGRAM REQUIREMENTS			
0530028	Fraud - General Assessment			
	State Operations:			
0217	Insurance Fund	\$3,318	\$4,041	\$4,046
	Totals, State Operations	<u>\$3,318</u>	<u>\$4,041</u>	<u>\$4,046</u>
	SUBPROGRAM REQUIREMENTS			
0530037	Fraud - Disability and Healthcare			
	State Operations:			
0217	Insurance Fund	\$3,525	\$5,246	\$5,255
	Totals, State Operations	<u>\$3,525</u>	<u>\$5,246</u>	<u>\$5,255</u>
	Local Assistance:			

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		<u>2024-25*</u>	<u>2025-26*</u>	<u>2026-27*</u>
0217	Insurance Fund	\$5,600	\$6,816	\$6,816
	Totals, Local Assistance	\$5,600	\$6,816	\$6,816
	SUBPROGRAM REQUIREMENTS			
0530055	Enhanced Fraud - Fraud Division			
	State Operations:			
0001	General Fund	\$2,727	\$2,852	\$2,855
	Totals, State Operations	\$2,727	\$2,852	\$2,855
	SUBPROGRAM REQUIREMENTS			
0530064	Enhanced Fraud - Legal Branch			
	State Operations:			
0001	General Fund	\$3,194	\$2,889	\$2,937
	Totals, State Operations	\$3,194	\$2,889	\$2,937
	PROGRAM REQUIREMENTS			
0535	GENERAL FUND TAX COLLECTION AND COMPLIANCE			
	State Operations:			
0217	Insurance Fund	\$1,359	\$1,640	\$1,641
	Totals, State Operations	\$1,359	\$1,640	\$1,641
	SUBPROGRAM REQUIREMENTS			
9900100	Administration			
	State Operations:			
0217	Insurance Fund	\$43,957	\$46,501	\$46,548
	Totals, State Operations	\$43,957	\$46,501	\$46,548
	SUBPROGRAM REQUIREMENTS			
9900200	Administration - Distributed			
	State Operations:			
0217	Insurance Fund	-\$43,957	-\$46,501	-\$46,548
	Totals, State Operations	-\$43,957	-\$46,501	-\$46,548
	TOTALS, EXPENDITURES			
	State Operations	255,236	286,771	275,447
	Local Assistance	84,434	82,772	82,772
	Totals, Expenditures	\$339,670	\$369,543	\$358,219

EXPENDITURES BY CATEGORY

1 State Operations	<u>Positions</u>			<u>Expenditures</u>		
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2024-25*</u>	<u>2025-26*</u>	<u>2026-27*</u>
PERSONAL SERVICES						
Baseline Positions	1,400.3	1,400.3	1,400.3	\$146,552	\$149,197	\$149,197
Other Adjustments	-205.1	-3.0	-3.0	-14,091	73	725
Net Totals, Salaries and Wages	1,195.2	1,397.3	1,397.3	\$132,461	\$149,270	\$149,922
Staff Benefits	-	-	-	70,038	74,586	75,110
Totals, Personal Services	1,195.2	1,397.3	1,397.3	\$202,499	\$223,856	\$225,032
OPERATING EXPENSES AND EQUIPMENT				\$42,343	\$62,634	\$50,134
SPECIAL ITEMS OF EXPENSES				10,394	281	281
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)				\$255,236	\$286,771	\$275,447
2 Local Assistance		<u>Expenditures</u>				
		<u>2024-25*</u>	<u>2025-26*</u>	<u>2026-27*</u>		
Grants and Subventions - Governmental		\$84,434	\$82,772	\$82,772		

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2 Local Assistance	Expenditures		
	2024-25*	2025-26*	2026-27*
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$84,434	\$82,772	\$82,772

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	2024-25*	2025-26*	2026-27*
0001 General Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$6,265	\$6,560	\$6,823
Allocation for Employee Compensation	-	-4	-
Allocation for Other Post-Employment Benefits	-	-98	-
Allocation for Staff Benefits	-	13	-
Section 3.60 Pension Contribution Adjustment	-	300	-
002 Budget Act appropriation	-	12,500	-
Totals Available	\$6,265	\$19,271	\$6,823
TOTALS, EXPENDITURES	\$6,265	\$19,271	\$6,823
0217 Insurance Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$248,643	\$258,799	\$267,875
Allocation for Employee Compensation	-	77	-
Allocation for Other Post-Employment Benefits	-	-4,257	-
Allocation for Staff Benefits	-	863	-
Section 3.60 Pension Contribution Adjustment	-	11,269	-
Totals Available	\$248,643	\$266,751	\$267,875
TOTALS, EXPENDITURES	\$248,643	\$266,751	\$267,875
0890 Federal Trust Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$25	\$25	\$25
TOTALS, EXPENDITURES	\$25	\$25	\$25
0995 Reimbursements			
APPROPRIATIONS			
Reimbursements	\$303	\$724	\$724
TOTALS, EXPENDITURES	\$303	\$724	\$724
Total Expenditures, All Funds, (State Operations)	\$255,236	\$286,771	\$275,447

2 LOCAL ASSISTANCE	2024-25*	2025-26*	2026-27*
0217 Insurance Fund			
APPROPRIATIONS			
101 Budget Act appropriation	\$84,434	\$82,772	\$82,772
Totals Available	\$84,434	\$82,772	\$82,772
TOTALS, EXPENDITURES	\$84,434	\$82,772	\$82,772
Total Expenditures, All Funds, (Local Assistance)	\$84,434	\$82,772	\$82,772
TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)	\$339,670	\$369,543	\$358,219

FUND CONDITION STATEMENTS

	2024-25*	2025-26*	2026-27*
<u>0217 Insurance Fund^s</u>			
BEGINNING BALANCE	\$50,049	\$54,591	\$31,669
Prior Year Adjustments	9,297	-	-

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	<u>2024-25*</u>	<u>2025-26*</u>	<u>2026-27*</u>
Adjusted Beginning Balance	\$59,346	\$54,591	\$31,669
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4124000 Insurance Company - Examination Fees	22,938	21,099	21,099
4124200 Insurance Company - License Fees and Penalties	72,194	74,310	74,310
4124400 Insurance Company - General Fees	39,808	40,164	40,164
4124600 Insurance Company - Proposition 103 Fees	53,869	46,160	46,160
4124800 Insurance Fraud Assessment - Automobile	52,355	54,930	54,930
4125000 Insurance Fraud Assessment - General	14,330	15,565	15,565
4125200 Insurance Fraud Assessment - Workers Compensation	90,284	90,329	90,329
4140000 Document Sales	88	56	56
4143500 Miscellaneous Services to the Public	15	10	10
4163000 Investment Income - Surplus Money Investments	2,205	601	601
4171100 Cost Recoveries - Other	2,342	1,889	1,889
4171400 Escheat - Unclaimed Checks, Warrants, Bonds, and Coupons	3	4	4
4172500 Miscellaneous Revenue	54	38	38
4173000 Penalty Assessments - Other	1	-	-
Transfers and Other Adjustments			
Revenue Transfer from Insurance Fund (0217) to California Health Data and Planning Fund (0143) per Chapter 603, Statutes of 2017	-30	-30	-34
Revenue Transfer from Insurance Fund (0217) to Health Plan Improvement Trust Fund (3209) per Chapter 552, Statutes of 2011	-64	-65	-61
Total Revenues, Transfers, and Other Adjustments	<u>\$350,392</u>	<u>\$345,060</u>	<u>\$345,060</u>
Total Resources	<u>\$409,738</u>	<u>\$399,651</u>	<u>\$376,729</u>
EXPENDITURE AND EXPENDITURE ADJUSTMENTS			
0690 Office of Emergency Services (State Operations)	1,290	1,464	1,464
0845 Department of Insurance (State Operations)	248,643	266,751	267,875
0845 Department of Insurance (Local Assistance)	84,434	82,772	82,772
9892 Supplemental Pension Payments (State Operations)	4,691	-	-
9900 Statewide General Administrative Expenditures (Pro Rata) (State Operations)	16,089	16,995	18,632
Total Expenditures and Expenditure Adjustments	<u>\$355,147</u>	<u>\$367,982</u>	<u>\$370,743</u>
FUND BALANCE	<u>\$54,591</u>	<u>\$31,669</u>	<u>\$5,986</u>
Reserve for economic uncertainties	54,591	31,669	5,986

CHANGES IN AUTHORIZED POSITIONS

	<u>Positions</u>			<u>Expenditures</u>		
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2024-25*</u>	<u>2025-26*</u>	<u>2026-27*</u>
Baseline Positions	1,400.3	1,400.3	1,400.3	\$146,552	\$149,197	\$149,197
Salary and Other Adjustments	-205.1	-3.0	-3.0	-14,091	73	725
Totals, Adjustments	<u>-205.1</u>	<u>-3.0</u>	<u>-3.0</u>	<u>\$-14,091</u>	<u>\$73</u>	<u>\$725</u>
TOTALS, SALARIES AND WAGES	<u>1,195.2</u>	<u>1,397.3</u>	<u>1,397.3</u>	<u>\$132,461</u>	<u>\$149,270</u>	<u>\$149,922</u>

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