



**RICARDO LARA**  
CALIFORNIA INSURANCE COMMISSIONER

## **BULLETIN 2024-7**

**TO: All Admitted Property & Casualty Insurers and Other Interested Parties**

**FROM: Insurance Commissioner Ricardo Lara**

**DATE: August 9, 2024**

**RE: Revisions to Department Review of Complete Rate Applications**

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Since the unveiling of my Sustainable Insurance Strategy last September, my Department has been working diligently on ambitious reforms designed to stabilize and modernize our state's insurance marketplace, especially with the growing threat of climate change. This comprehensive initiative is considered the largest insurance reform since voters passed Proposition 103 in 1988.

One major element of the Sustainable Insurance Strategy is holding all parties accountable, including in the Department's rate application review and approval process.

The Department is responsible for protecting consumers from excessive, inadequate, and unfairly discriminatory insurance rates and to ensure that the state's insurance marketplace is competitive and accessible. In addition, the Department's rate review experts are charged with ensuring applications are complete and questions are fully answered in order to move applications forward as expeditiously as possible under Prop. 103's existing statutory approval timelines.

Under Prop. 103, insurance companies are responsible for filing their requested rate applications to the Department to review and approve. Insurance companies are expected to request the rates that they need that are justified, backed up by complete rate applications with comprehensive data, and adequately cover the risks they have in order to cover all policyholder claims fully and quickly.

Any intervenor groups engaged on certain rate filings must provide a "substantial contribution" to the rate review process and not duplicate the work of the Department's rate review experts to be eligible for compensation. In addition, they must be ready to engage in good faith on filings once their application to intervene has been granted by the Department.

Since 1988, however, the Department's rate application review and approval process has extended beyond Prop. 103's existing statutory approval timelines due to a series of factors including insurance companies filing incomplete applications, intervenors that are not ready to engage on rate applications until weeks or even months after the timeline set in Prop. 103, as well as requesting information duplicative of Department requests and/or not germane to the filed rate application, and complex rate applications that require extensive time and resources by Department staff to review, among other reasons.

Therefore, under my existing authority granted under Prop. 103, I am issuing this Bulletin to all insurance companies regulated by the Department to increase the transparency and speed of rate change application review and approval times in ways that are beneficial to consumers, the Department, and the insurance market.

My action gives the Department new tools to hold insurance companies accountable for providing the complete information needed to make informed and timely decisions on these filings, thus reducing unnecessary delays that can otherwise cause rate filings to take longer than expected.

Consumers benefit from a thorough and transparent Department rate review process that can bring about more insurance products and greater availability of coverage in California's insurance market. This action also gives insurance companies greater certainty on their pending filings so we have a more competitive insurance marketplace and support building the sustainability of California's insurance market.

My action also preserves the role of intervenors within the rules and timelines laid out in Prop. 103. Above all, the Department's rate review is always the public's check on rates. We will continue to thoroughly review each and every rate application filed to make sure they are compliant with the law and justified under Prop. 103, and that consumers are protected.

The Department shall initiate, once full implementation of a data reconciliation tool and process for insurance companies is achieved as soon as administratively feasible, the following to its rate application review process:

- Once an insurance company has filed a rate application with the Department's Rate Regulation Branch seeking a rate change and a complete rate application has been subsequently placed on Public Notice, the Department shall review the file within 60 days of the filing's Public Notice date.
- If more time is needed to communicate with the insurance company about unresolved issues within the rate application and/or to solicit additional information from an insurance company in order to make a determination about the pending application, the process will allow for up to two additional 30-day extensions after the original 60-day review period has ended as long as the

Department shares information in writing on the status of the filing, including what known issues are resolved, what issues remain unresolved, and its position on all unresolved issues, to the insurance company and any intervenor granted participation in that pending rate application.

- After two 30-day extensions, the Department shall provide the insurance company, and any intervenor, with the Department's calculation of an estimated rate that complies with Prop. 103 based on the information provided to the Department in the application. If no intervenor has filed a petition for a hearing, or if the insurance company seeks a rate change of 7 percent or less for personal lines or 15 percent or less for commercial lines, the insurance company would then have 10 calendar days to accept or reject the Department's calculated rate in writing.
- If the insurance company seeks a rate change in excess of 7 percent for personal lines, or in excess of 15 percent for commercial lines, and an intervenor has petitioned for a hearing, the insurance company would then have 10 calendar days to accept or reject the Department's calculated rate in writing. **However, the insurance company must have the written consent of the intervenor granted participation in that pending rate application before implementing the new accepted rate. Without this written consent, the estimated rate provided by the Department shall not be implemented by the insurance company.**
- If the insurance company rejects the proposed rate, the review process would continue with 30-day extensions and public disclosures, as outlined above.

As set forth under Prop. 103, intervenors would continue to have 45 days after the Department provides public notice of the complete rate application to file a petition to participate in the rate review process.

The Department has been underway for the past several months to create a data reconciliation tool for insurance companies to use when filing rate applications in order to facilitate the fast and efficient exchange of information between the Department and insurance companies during the application process. The development and availability of this tool is absolutely integral and critical to the Department's successful implementation of these updated rate application review procedures.

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