

California Department of Insurance

# ANNUAL REPORT OF THE COMMISSIONER



# 2023

PROTECT  
PREVENT  
PRESERVE



**RICARDO LARA**  
CALIFORNIA INSURANCE COMMISSIONER

August 1, 2024

The Honorable Gavin Newsom  
Governor, State of California  
1021 O Street, Suite 9000  
Sacramento, CA 95814

Dear Governor Newsom,

The California Department of Insurance (CDI or Department) respectfully submits the *2023 Annual Report of the Insurance Commissioner* as required by California Insurance Code section 12922. As set forth in statute, this report describes the condition of the insurance market in California and the vital work we do at CDI regulating the nation's largest insurance market.

My number one priority since Day One has been to protect consumers, which includes safeguarding a robust and thriving insurance market. And our market is under unprecedented stress, unlike anything we have experienced in the more than 35 years since voters established our current system of insurance regulation. As you know, given our state's current insurance availability crisis, I unveiled the [Sustainable Insurance Strategy](#) last fall, the largest insurance reform since voters passed Proposition 103 in 1988. This ambitious strategy is aimed at safeguarding the overall health of the insurance market, comprised of consumers, homeowners, and business owners, while ensuring long-term sustainability and consumer protection.

My strategy represents a proactive and comprehensive approach to safeguarding the interests of Californians in the face of climate change. Specifically, the strategy seeks to return FAIR Plan policyholders to the admitted market, allows new models recognizing mitigation and hardening requirements to appropriately price rates and provide discount benefits to policyholders, mandates more accountability on intervenor groups, and ensures more transparent efficiencies in my Department's rate review and approval process, while requiring insurance companies to write and renew more business in distressed areas of our state, among other key initiatives. I am grateful for your and your staff's continued support and partnership in enacting this transformational, lasting reform to protect insurance consumers and stabilize our state's insurance market.

We will finish our regulatory work by the end of this year, and many Californians are already seeing the benefits with more and more insurance companies writing more policies and not non-renewing their long-time customers. As the largest insurance market in the nation, California's insurance rates are far lower on average than in many

large states that face growing risks from climate change, particularly hurricanes on the East Coast and Gulf Coast. That said, we need to continue to be thorough, thoughtful, and deliberate because we are essentially compressing decades of deferral and delay into a one-year timeline of action. We have been surviving with 20<sup>th</sup> century regulations for 21<sup>st</sup> century problems.

The continued partnership with you, the State Legislature, and major stakeholders is essential to get the Sustainable Insurance Strategy across the finish line and in full implementation. Under my strategy, there is a clear benefit for consumers in areas where the FAIR Plan has become the only option. Consumers get greater insurance availability through these transformative regulatory reforms. More options mean better competition on cost and service.

I will continue working with you and all those who want to constructively work towards real solutions to create more resilient communities in our state and provide more insurance coverage options for Californians, especially with the growing threat of climate change.

Should you or your staff have any questions regarding this report, please do not hesitate to contact me or my staff at (916) 492-3622. Thank you for your continued partnership.

Sincerely,

A handwritten signature in black ink, appearing to read "Ricardo Lara". The signature is fluid and cursive, with a prominent vertical stroke on the left side.

**RICARDO LARA**

Insurance Commissioner

cc: Erika Contreras, Secretary of the Senate  
Sue Parker, Chief Clerk of the Assembly  
Senator Susan Rubio, Chair, Senate Insurance Committee  
Assembly Member Lisa Calderon, Chair, Assembly Insurance Committee  
Cara L. Jenkins, Legislative Counsel

## 2023 Highlights

### California Department of Insurance

- **Commissioner Lara announced the Sustainable Insurance Strategy** to help make insurance more available and affordable to residents and businesses. The Sustainable Insurance Strategy uses a data-driven approach, based on **the multi-year wildfire data collections by CDI** to create a package of executive actions aimed at improving insurance choices and protecting Californians from increasing climate threats while addressing the long-term sustainability of the nation's largest insurance market. The **largest insurance reform** since state voters' passage of Proposition 103 nearly 35 years ago, California's Sustainable Insurance Strategy is a comprehensive approach building on Commissioner Lara's multi-year effort to modernize California's insurance market after meeting with thousands of Californians since he took office in 2019.
- **In response to seven Governor declarations of wildfire emergencies in California**, the Department worked in partnership with the California Department of Forestry and Fire Protection and the California Office of Emergency Services to implement then-Senator Ricardo Lara's Senate Bill 824, **providing a one-year protection to homes located adjacent to the declaration area**.
- As the co-chair of the National Association of Insurance Commissioners' (NAIC) Climate and Resiliency (EX) Task Force, Commissioner Lara worked with a **bipartisan group of state insurance regulators to develop a national Property and Casualty Market Intelligence (PCMI) Data Call**. The PCMI Data Call will **help insurance regulators to better understand insurance availability and affordability related to the climate-related risks to the U.S. insurance market**, considered the largest insurance market in the world.
- The Department continued its review and assessment of insurance company premium refund actions related to private passenger automobile insurance in an effort to determine whether or not insurance companies provided California drivers with an appropriate amount of premium relief as a result of the COVID-19 pandemic. To date, **premium relief for California drivers has totaled nearly \$2.62 billion and approximately \$3.27 billion for all COVID-19 impacted lines**.
- In 2023, **Department detectives had a total of 3,449 cases, executed 664 search warrants, made 557 arrests, and submitted 859 cases to district attorneys for prosecution**. 359 defendants were convicted and 420 defendants were sentenced from Fraud Division cases during the fiscal year.
- The Department's Legal Branch **recovered approximately \$8,220,000** in monetary penalties, costs recovery, and negotiated settlements in Qui Tam matters, resulting in **distributions over \$3,622,236 to CDI and the General Fund combined**.

- CDI **sponsored eleven (11) bills** in 2023, **five (5) of which were signed into law by the Governor** with three (3) bills vetoed and three (3) turning into two-year bills, and closely monitored, provided technical assistance to, took positions on, and/or **advocated for or against 376 bills** this past legislative calendar.
- The Diversity Initiative collaborated with cross-functional leadership at CDI alongside the Insurance Diversity Task Force to successfully launch **the first-ever Insurance Diversity Index** – a benchmarking tool that measures the progress that insurance companies are making on their commitments to board diversity, supplier diversity, and community impact investments. For consumers, the Index fosters greater transparency of insurance companies’ policies & practices. The Index was the result of a multi-year engagement effort with community leaders, industry, and key supplier & board diversity stakeholders. Upon its launch, the Index received widespread support, including from California’s Attorney General.
- In response to the *Braidwood* decision out of Texas, Commissioner Lara reassured consumers that California law requires insurance coverage for preventive services such as HIV pre-exposure prophylaxis (PrEP), screening for sexually transmitted infections (STIs), and breast and colorectal cancer screening without cost sharing on patients.
- The California Organized Investment Network (COIN) has begun **raising \$6.0 billion of capital in 2023** through its COIN Investment Bulletin program to **fund 25 approved investment opportunities** that benefit California’s underserved communities and environmental projects. The economic impact of these potential investments is estimated to **create over 31,000 jobs in the state**.
- In 2023, our efforts to serve consumers culminated in **201,765 telephone calls and in-person assistance with 56,827 complaints closed**.
- The Department **recovered \$133,434,301 for consumers** as a result of direct intervention on consumer complaints and market conduct examinations.
- Consumer Services Division staff **deployed to 52 Local Assistance Centers and assisted 2,230 consumers face-to-face** to help them receive additional living expense checks, contents advances, and to answer questions with regards to their rights and responsibilities.
- The Department prioritized informing consumers in their local communities about the Safer from Wildfires framework and the Sustainable Insurance Strategy along with the insurance resources available to them by **hosting 968 virtual and in-person meetings and events, including 17 with Members of Congress, 62 with the Senate, 97 with the Assembly, 563 with local government offices, and 229 with community-based organizations**.

- The California Low Cost Auto Program saw a **99.27% increase** in applications and a **165% increase** in website visits.
- During 2023, Ombudsman staff facilitated and closed **1,977 cases**. This included responding to 1,013 consumer requests for assistance, 720 legislative inquiries, 181 agent and applicant inquiries, 41 insurance industry inquiries, and 22 general requests including other state agencies.
- The Department enhanced consumer protection by sponsoring chaptered legislation that now **requires all individuals seeking to be a bail fugitive recovery person to be licensed by the Department**. The Bail Fugitive Recovery Agent must (1) meet the standards stated in the new California Insurance Code [section 1802.3](#), (2) comply with the requirements stated in the amended Chapter 7, [sections 1800 through 1823](#), and (3) comply with the Bail Fugitive Record Persons Act, commencing with California Penal Code [section 1299](#).
- The Department enhanced consumer protection by **requiring agents and brokers to complete the Department's one-hour study on insurance fraud**. The Department's twelve-hour and three-hour ethics training requirements now include the one-hour of study on insurance fraud to provide agents and brokers with the steps to report suspected fraud to the Department's Fraud Division.
- Commissioner Lara sponsored Assembly Bill 451 authored by Assembly Member Lisa Calderon (Chapter 136, Statutes of 2023), **to offer license examinations in Spanish, Simplified Chinese, Vietnamese, and Korean beginning January 1, 2024 and in Tagalog on July 1, 2024** to keep pace with the needs of its multilingual and multicultural insurance consumers by offering license examinations in the top five languages as identified by our licensees. This law also provides further opportunities for non-English speakers to earn a living as insurance producers and service non-English consumers who purchase insurance and ensure every citizen has equal access to the protection provided by various insurance products.

# **2023 Organizational Chart**

## **California Department of Insurance**

### **OFFICE OF THE COMMISSIONER**

- Conservation and Liquidation Office

### **ADMINISTRATION AND LICENSING SERVICES BRANCH**

- Administrative Hearing Bureau
- Financial and Business Management Division
- Human Resources Management Division
- Information Technology Division
- Licensing Services Division

### **CLIMATE AND SUSTAINABILITY BRANCH**

- Climate Risk and Sustainability
- Data Analytics and Reporting

### **COMMUNICATIONS AND PRESS RELATIONS BRANCH**

### **COMMUNITY RELATIONS AND OUTREACH BRANCH**

- California Low Cost Auto Insurance Program
- Community Relations and Outreach Northern California
- Community Relations and Outreach Southern California
- Office of the Ombudsman

### **CONSUMER SERVICES AND MARKET CONDUCT BRANCH**

- Administrative Unit
- Consumer Law Unit
- Consumer Services Division
- Market Conduct Division

### **ENFORCEMENT BRANCH**

- Fraud Division
- Investigation Division

### **EXECUTIVE OPERATIONS BRANCH**

- Executive Operations and Scheduling
- Office of Civil Rights
- Office of Strategic Planning and Initiatives
- Organizational Accountability Office

### **FINANCIAL SURVEILLANCE BRANCH**

- Field Examinations Division
- Financial Analysis Division
- Property Casualty Actuarial Office

- Life Actuarial Office
- Office of Principle-Based Reserving

#### LEGAL BRANCH

- Litigation Division
- Regulatory and Legal Services Division

#### POLICY AND LEGISLATION BRANCH

- California Organized Investment Network
- Health Actuarial Office
- Health Equity and Access Office
- Insurance Diversity Initiative
- Insurance Innovation
- Legislative Office

#### RATE REGULATION BRANCH

- Rate Actuary Office
- Rate Regulation Division

#### SPECIAL COUNSEL TO THE COMMISSIONER

- Special Counsel's Office



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2023 ANNUAL REPORT  
**ADMINISTRATION** *and*  
**LICENSING SERVICES BRANCH**

## **ADMINISTRATION AND LICENSING SERVICES BRANCH**

The Administration and Licensing Services Branch (ALSB) provides administrative support services to CDI including budgets, accounting, business services, human resources, and information technology. The Branch also provides licensing services to insurance agents, brokers, adjusters, and bail agents, as well as provides assistance to the California Insurance Commissioner (Commissioner) in performing adjudicatory tasks. ALSB consists of:

- Administrative Hearing Bureau
- Financial and Business Management Division
- Human Resources Management Division
- Information Technology Division
- Licensing Services Division

### **ADMINISTRATIVE HEARING BUREAU**

The Administrative Hearing Bureau (AHB) assists the Insurance Commissioner in performing adjudicatory tasks provided for by statute or regulation. Specifically, AHB provides Administrative Law Judges (ALJ) to conduct hearings authorized by the California Insurance Code (CIC) and its applicable regulations. As quasi-judicial officers, the ALJs must adhere to the tenets of the Model Code of Judicial Conduct as well as the California Code of Judicial Ethics. Accordingly, the ALJs must remain insulated from CDI's legal, enforcement, and regulatory branches.

#### **Evidentiary Hearings**

As directed by statute, AHB conducts formal and informal evidentiary hearings in accordance with the Administrative Procedure Act and other controlling statutes or regulations. Evidentiary hearings range from single-day trials to hearings lasting several weeks or months. Most hearings involve more than two parties and all require expertise in insurance law as well as evidentiary procedure. All AHB hearings employ a court reporter and many require significant pre- and post-hearing briefings. At the conclusion of hearings, the ALJs submit proposed decisions containing findings of fact and conclusions of law to the Commissioner, who then issues the final decision in each case. The ALJs also mediate disputes upon request, thereby avoiding the necessity of an evidentiary hearing.

AHB reviews Request for Compensation petitions pursuant to the CIC. AHB also serves as the Commissioner's designee in issuing final decisions in such matters.

In 2023, AHB Judges presided over the following types of evidentiary hearings:

- Prior Approval Rate
- Applications for Written Consent by Prohibited Persons
- Requests for Compensation Petitions
- Workers' Compensation Insurance Rating Bureau (WCIRB) Non-Compliance
- Appeals from decisions of the WCIRB or insurance carriers regarding application of the workers' compensation insurance rating system and plans, including proceedings related to workers' compensation insurance rate filings

AHB also mediated resolutions in several workers' compensation appeals and began issuing final decisions in Request for Compensation cases.

Since April 2020, AHB has conducted most hearings via the Zoom video-conference platform, as a result of the COVID-19 pandemic. All staff undertook considerable training and spent considerable time drafting policies and procedures for remote hearings. AHB livestreams all of its hearings to AHB's own YouTube channel.

In 2023, AHB opened 28 cases and closed 32 cases in the case types listed in the table below. These figures are still far below AHB's normal case trends due entirely to the COVID-19 pandemic. Guidelines and regulations regarding the stay of insurance premiums and the lack of onsite workers continues to directly impact the number of workers' compensation insurance appeals heard by AHB.

**2023 ADMINISTRATIVE HEARINGS BY CASE TYPE**

CASE TYPE	OPENED	CLOSED
Prior Approval	0	1
Prohibited Persons	4	5
Request for Compensation Petitions	14	8
WCIRB Non-Compliance	2	2
Workers' Compensation Appeals <i>(Including procedures re: rate filings)</i>	8	16

**FINANCIAL AND BUSINESS MANAGEMENT DIVISION**

The Financial and Business Management Division (FBMD) is responsible for ensuring the fiscal integrity and accountability of CDI's fiscal condition and administrative oversight over various business services. FBMD consists of the following bureaus:

- Accounting Services Bureau (ASB) provides a full range of accounting functions including payables, receivables, revolving fund, cashiering, general ledger, security deposits, and gross premium and surplus line tax collection ensuring effective management of CDI's financial affairs to provide accurate financial reports to state control agencies.
- Budget and Revenue Management Bureau develops CDI's annual budget submitted to the Department of Finance; develops annual budget allotments and monitors expenditures and revenue collection in FI\$Cal for all CDI programs; develops various assessments that support CDI's operations; and oversees and maintains CDI's activity reporting system for cost accounting purposes.
- Business Management Bureau provides a full range of administrative and business services in the areas of procurement, contracts, facilities, records, forms, reprographics, physical assets, fleet, emergency and continuity planning, mail, and supply services.

**Tax Collection Program** – ASB oversees the timely processing of premium tax returns filed by insurers and surplus line brokers and the timely collection and reporting of all appropriate taxes. For calendar year 2022, ASB processed 3,491 tax returns. Additionally, CDI collected approximately \$3.6 billion in insurance (premium) tax revenue for Fiscal Year (FY) 2022-23 to support the state’s General Fund.

**PROCESSED TAX RETURNS  
CALENDAR YEAR 2022**

<b>INSURANCE TYPE</b>	<b>NUMBER OF ANNUAL TAX RETURNS</b>	<b>TAX RATE</b>	<b>LAW REFERENCE</b>
Surplus Line	1,484	3%	CIC § 1775.5
Property & Casualty	941	2.35%	RTC § 12202
Ocean Marine	590	5%	RTC § 12101
Life	440	2.35% or 0.5%	RTC § 12202
Title	23	2.35%	RTC § 12202
Home	13	2.35%	RTC § 12202
<b>TOTAL</b>	<b>3,491</b>		

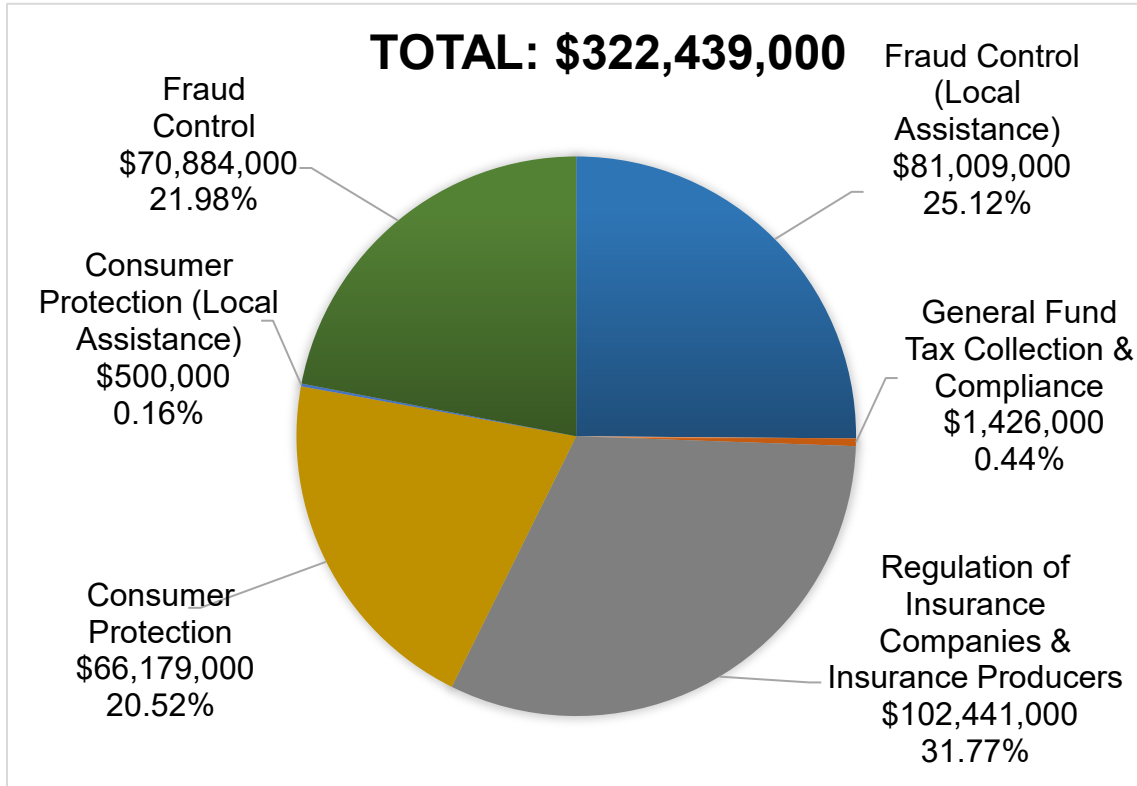
California Insurance Code (CIC), California Revenue and Taxation Code (RTC)

**FIVE-YEAR SUMMARY OF PREMIUM (INCLUDING SURPLUS LINE) TAXES  
COLLECTED BY CDI FOR THE STATE’S GENERAL FUND**

<b>FISCAL YEAR</b>	<b>TAXES COLLECTED</b>
2018-19	\$2,702,402,000
2019-20	\$3,117,483,000
2020-21	\$2,959,124,000
2021-22	\$3,616,208,000
2022-23	\$3,623,038,000

**Expenditures** – CDI’s total expenditures for FY 2022-23 were \$322.4 million.

**TOTAL EXPENDITURES BY PROGRAM  
FISCAL YEAR 2022-23**



Note: The chart “Total Expenditures by Program, Fiscal Year 2022-23” includes Distributed Administration expenditures of \$41,193,000. (Distributed Administration represents the cost of centralized administrative functions that benefit all CDI programs and include Accounting, Budgeting, Business Services, Human Resources, Information Technology, and other essential administrative functions. The costs of these administrative functions are passed on to all CDI programs as an indirect cost.)

**CDI’s expenditures fall into the following categories:**

- **Personal Services** – Costs related to services performed by CDI employees to support operations. This includes salaries, wages, and staff benefits.
- **Operating Expenses and Equipment** – Costs of goods and services (other than personal services previously defined) incurred by CDI to support its operations.
- **Local Assistance** – Funds provided to local entities (e.g., district attorneys) in support of CDI’s programs.



**EXPENDITURES BY CATEGORY  
FISCAL YEAR 2022-23**

CATEGORY	EXPENDITURES
Personal Services	\$162,233,000
Operating Expenses and Equipment	\$78,697,000
Local Assistance	\$81,509,000
<b>TOTAL</b>	<b>\$322,439,000</b>

**Revenues** – In FY 2022-23, CDI generated \$333.9 million in revenue from fees, licenses, and various assessments paid by insurers, insurance producers, and other licensees. Insurance Fund revenue generally is received from insurance companies and insurance producers that CDI regulates. Both insurers and producers pay license, filing, and other fees.

**REVENUE COLLECTION BY TYPE  
FISCAL YEAR 2022-23**

TYPES OF REVENUE	AMOUNT	% OF TOTAL
Fraud (shown by subset below):	\$144,802,000	43.36%
-Workers' Compensation	(\$86,040,000)	-59.42%
-Auto (\$1.50)	(\$44,596,000)	-30.80%
-Disability and Healthcare	(\$8,344,000)	-5.76%
-General	(\$5,822,000)	-4.02%
Fees and License	\$106,474,000	31.88%
Proposition 103	\$40,623,000	12.16%
Examination Fees	\$24,006,000	7.19%
Auto Consumer Services (\$0.26)	\$9,027,000	2.70%
Principle-Based Reserving (Life/LTC)	\$5,491,000	1.64%

**REVENUE COLLECTION BY TYPE  
FISCAL YEAR 2022-23 (Continued)**

TYPES OF REVENUE	AMOUNT	% OF TOTAL
Seismic Safety	\$1,342,000	0.40%
Independent Medical Review	\$1,282,000	0.38%
Life and Annuity	\$951,000	0.29%
<b>TOTAL</b>	<b>\$333,998,000</b>	<b>100.00%</b>

The revenue reflected in the table “Revenue by Collection Type, Fiscal Year 2022-23” was generated from the following assessments:

- **Fraud** – Fraud Control revenue is derived from the following fees and assessments:
  - Fraud Workers’ Compensation – Annual assessment determined by the Fraud Assessment Commission used to fund workers' compensation fraud investigation and prosecution.
  - Fraud Auto (\$1.50) – Annual assessment for each vehicle insured. \$1.00 funds the investigation and prosecution of automobile insurance fraud and \$0.50 funds the organized automobile Fraud Activity Interdiction Program (self-assessed quarterly).
  - Fraud Disability and Healthcare – Annual assessment not to exceed \$0.20 for each insured person to fund investigation and prosecution of fraudulent disability insurance claims.
  - Fraud General – Annual assessment up to \$5,100 for each insurer doing business in the state to support the Fraud Division.
- **Fees and License** –
  - License Fees and Penalties – Fees to cover the cost of issuing and making changes to licenses (paid by companies and individual licensees) to support the Department’s general operations.
  - General Fees – Fees to cover the costs associated with processing and maintaining Action Notices, Policy Approvals, Insurer Certifications, Annual Statements, and Workers’ Compensation Rate Filings.

- **Proposition 103** – Annual assessment to recover costs of administering Proposition 103 including participating in rate hearings and conducting inquiries into consumer complaints.
- **Examination Fees** – Hourly rate developed annually to recover the costs of performing insurance practice exams, financial analysis reviews, field exams, and actuarial reviews.
- **Auto Consumer Services (\$0.26)** – Annual assessment for each vehicle insured to fund the consumer services functions related to regulating automobile insurers. Part of the fee (i.e., up to \$0.05) is specifically used to support the California Low Cost Auto Program (self-assessed quarterly).
- **Principle-Based Reserving** –
  - Life – Annual assessment for costs associated with principle-based reserving valuation.
  - Long-Term Care – Annual assessment for costs associated with principle-based reserving for long-term care policies.
- **Seismic Safety** – Annual assessment up to \$0.15 per earned property exposure to fund the Office of Emergency Services - Seismic Safety Commission (pass-through from CDI to the Commission).
- **Independent Medical Review** – Annual assessment to cover the costs of administering the Independent Medical Review System.
- **Life and Annuity** – Annual fee of \$1.00 for each individual life insurance and individual annuity product issued (self-assessed bi-annually).

## **HUMAN RESOURCES MANAGEMENT DIVISION**

The Human Resources Management Division (HRMD) is responsible for all personnel matters and provides overall policy direction on human resource functions related to the management of employees. HRMD supports the organization in recruiting, training, and retaining a high-quality workforce. The Division is responsible for the following functions:

- Administering employee pay and benefits
- Monitoring and ensuring compliance with state and federal laws, rules, and regulations related to personnel administration and employee relations
- Determining appropriate position classification, gathering and evaluating pay data, tracking position movement, and managing the examination and recruitment programs

- Facilitating cooperative and productive labor relations among CDI employees and respective labor organizations
- Overseeing the Employee Assistance Program, Reasonable Accommodation Program, Employee Recognition Program, Safety Program, Wellness Program, and Return to Work Program
- Developing, delivering, and coordinating in-house instructor-led and web-based training
- Providing ongoing management advice and consultation concerning human resource issues
- Administering career development, and employee engagement services and programs

## **INFORMATION TECHNOLOGY DIVISION**

The Information Technology Division (ITD) is responsible for providing reliable, supportable, and innovative information technology (IT) services and solutions to the Department to meet business and operational requirements. ITD consists of the following bureaus:

- **The Application Development and Maintenance Bureau (ADAM)** provides custom software development and supports a variety of commercial-off-the-shelf products/applications to meet the business needs of the Department. ADAM keeps abreast of the latest application tools and technology advancements, including maintaining CDI's internet and intranet application servers, as well as supporting and improving usability of CDI's website content, online services, and intranet.
- **The Project Coordination and Administrative Support Bureau** provides departmental and divisional support. Departmental support activities include IT procurement, IT project management, and control agency compliance. Divisional support activities include expenditure tracking, human resources coordination, IT and Department infrastructure budget tracking and monitoring, and training request coordination.
- **The Statewide Network Support Bureau (SNSB)** provides departmental support for the technology infrastructure consisting of telecommunication services, Local Area Network, Wide Area Network, hardware and software installation, e-mail services, video services, security, and maintenance for personal computers and other devices. SNSB monitors and maintains the Oracle database infrastructure, commonly referred to as the 'middle tier', and hosts all production data in-house serving as CDI's Data Center.

## **LICENSING SERVICES DIVISION**

The Licensing Services Division (LSD) is responsible for ensuring all license applicants and licensees meet all eligibility requirements specified in the CIC and the California Code of Regulations. LSD consists of the following bureaus:

- **The Producer Licensing Bureau** issues, maintains, and updates records of all insurance producers, adjusters, bail agents, and other licenses; obtains information and documentary evidence regarding criminal convictions and other adverse actions in the backgrounds of insurance producers and license applicants; and analyzes evidence and makes recommendations as to the actions, if any, to be taken against these individuals or business entities.
- **The Curriculum and Officer Review Bureau** prepares and administers written qualifying insurance examinations; reviews and approves education courses submitted by insurance companies, educational institutions, and others; performs background reviews of insurance company officers and individuals seeking appointment to the Commissioner's boards and committees; reviews consumer complaint files received from the Investigation Division; and assists in processing the applications of non-admitted insurers applying to be added to CDI's List of Approved Surplus Line Insurers.

### **LICENSE PROCESSING STATISTICS CALENDAR YEARS 2022 AND 2023**

<b>WORKLOAD</b>	<b>2022</b>	<b>2023</b>	<b>PERCENTAGE CHANGE</b>
Individual License Applications Received	101,043	106,833	6%
License Examinations Scheduled	63,671	67,469	6%
New Licenses Issued	73,412	83,247	13%
Licenses Renewed	164,125	176,379	7%
Insurer Appointments/Terminations	844,167	919,166	9%
Bonds Processed	3,859	2,527	-35%
Licensing Calls	130,587	113,329	-13%
Licensing Chats	14,140	16,370	16%
Email Inquiries	61,902	62,635	1%

**APPLICATIONS RECEIVED BY LICENSE TYPE  
CALENDAR YEARS 2022 AND 2023**

LICENSE TYPE	2022	2023	PERCENTAGE CHANGE
Life	20,267	21,771	7%
Property and Casualty	19,500	19,158	-2%
Accident / Health or Sickness	13,991	13,009	-7%
Personal Lines	12,964	11,501	-11%
Limited Lines Automobile	336	339	1%

**NEW LICENSES ISSUED BY LICENSE TYPE  
CALENDAR YEARS 2022 AND 2023**

LICENSE TYPE	2022	2023	PERCENTAGE CHANGE
Life	46,829	50,955	9%
Accident / Health or Sickness	41,261	42,789	4%
Property and Casualty	16,327	16,535	1%
Personal Lines	11,642	10,915	-6%
Limited Lines Automobile	326	305	-6%

**LICENSE BACKGROUND STATISTICS  
CALENDAR YEARS 2022 AND 2023**

<b>WORKLOAD</b>	<b>2022</b>	<b>2023</b>	<b>PERCENTAGE CHANGE</b>
Insurance agent and broker background reviews	3,391	4,158	23%
Cases referred to Legal Branch for disciplinary action	323	136	-58%
Insurance agent and broker alternative resolution program cases	730	638	-13%

**OFFICER BACKGROUND SECTION STATISTICS  
CALENDAR YEARS 2022 AND 2023**

<b>WORKLOAD</b>	<b>2022</b>	<b>2023</b>	<b>PERCENTAGE CHANGE</b>
Insurance company officer and director background reviews	484	569	18%
Updates to List of Approved Surplus Line Insurers	7	9	29%
Cases referred to Legal Branch or Investigations Division for disciplinary action or further investigation	0	0	0%
Orders of Administrative Bar for cheating on examinations	7	4	-43%
Commissioner Board and Committees background reviews	23	8	-65%

**LSD Licensing Examination First-Time Pass Rates:**

The following tables are the examination pass rates for individuals taking the license examination on their first attempt. In addition to the pass rates for each license type, a breakdown of first-time pass percentages is broken out by gender, ethnic group, and education levels, which the examinees provide to CDI on a voluntary basis.

**FIRST-TIME EXAMINATION PASS RATES  
CALENDAR YEAR 2023**

<b>LICENSE TYPE</b>	<b>EXAMINEES</b>	<b>PASS RATE</b>
Property / Casualty	4,591	55%
Life and Accident / Health or Sickness	18,164	66%
Life	17,116	65%
Accident / Health or Sickness	3,210	78%
Personal Lines	1,543	39%
Limited-Lines Automobile	368	68%



**FIRST-TIME EXAMINATION PASS RATES BY GENDER  
CALENDAR YEAR 2023**

<b>LICENSE TYPE</b>	<b>EXAMINEES</b>	<b>PASS RATE</b>
<b>Property / Casualty -</b>		
Female	2,346	50%
Male	1,966	60%
Declined to Participate	279	61%
<b>Life and Accident / Health or Sickness -</b>		
Female	8,226	63%
Male	8,223	70%
Declined to Participate	1,715	68%
<b>Life -</b>		
Female	5,364	73%
Male	4,874	77%
Declined to Participate	6,878	51%
<b>Accident / Health or Sickness -</b>		
Female	1,452	75%
Male	1,345	80%
Declined to Participate	323	80%
<b>Personal Lines -</b>		
Female	887	30%
Male	376	44%
Declined to Participate	280	59%
<b>Limited Lines Automobile -</b>		
Female	279	65%
Male	80	81%
Declined to Participate	9	44%

**FIRST-TIME EXAMINATION PASS RATES BY ETHNIC GROUP  
CALENDAR YEAR 2023**

<b>LICENSE TYPE</b>	<b>EXAMINEES</b>	<b>PASS RATE</b>
<b>Property / Casualty -</b>		
American Indian / Alaskan Native	29	69%
Asian	524	58%
Black	180	54%
Filipino	79	44%
Hispanic	1,362	41%
Pacific Islander	20	55%
White	1,562	66%
Declined to Participate	834	57%
<b>Life and Accident / Health or Sickness -</b>		
American Indian / Alaskan Native	101	68%
Asian	3,545	69%
Black	1,559	60%
Filipino	798	63%
Hispanic	3,789	55%
Pacific Islander	138	68%
White	4,600	76%
Declined to Participate	3,632	67%
<b>Life -</b>		
American Indian / Alaskan Native	55	73%
Asian	2,123	76%
Black	960	73%
Filipino	611	79%
Hispanic	3,054	69%
Pacific Islander	101	69%
White	1,756	86%
Declined to Participate	8,455	54%

**FIRST-TIME EXAMINATION PASS RATES BY ETHNIC GROUP  
CALENDAR YEAR 2023 (Continued)**

LICENSE TYPE	EXAMINEES	PASS RATE
<b>Accident / Health or Sickness -</b>		
American Indian / Alaskan Native	14	71%
Asian	467	76%
Black	261	77%
Filipino	122	77%
Hispanic	842	71%
Pacific Islander	26	69%
White	711	85%
Declined to Participate	677	79%
<b>Personal Lines -</b>		
American Indian / Alaskan Native	6	17%
Asian	45	58%
Black	64	41%
Filipino	10	50%
Hispanic	743	27%
Pacific Islander	6	83%
White	149	62%
Declined to Participate	520	46%
<b>Limited Lines Automobile -</b>		
American Indian / Alaskan Native	1	0%
Asian	1	0%
Black	1	100%
Filipino	1	100%
Hispanic	327	69%
Pacific Islander	0	0%
White	4	75%
Declined to Participate	33	58%

**FIRST-TIME EXAMINATION PASS RATES BY EDUCATION LEVEL  
CALENDAR YEAR 2023**

LICENSE TYPE	EXAMINEES	PASS RATE
<b>Property / Casualty -</b>		
High School/ GED	738	36%
Some College	1,112	49%
2-Year College Degree	426	49%
4-Year College Degree	1,424	67%
Master's Degree	253	69%
Doctoral Degree	36	78%
Declined to Participate	552	58%
<b>Life and Accident / Health or Sickness -</b>		
High School/ GED	2,181	49%
Some College	4,137	61%
2-Year College Degree	1,588	61%
4-Year College Degree	5,497	75%
Master's Degree	1,665	80%
Doctoral Degree	269	89%
Declined to Participate	2,680	65%
<b>Life -</b>		
High School/ GED	1,989	66%
Some College	2,629	73%
2-Year College Degree	978	76%
4-Year College Degree	2,416	86%
Master's Degree	734	86%
Doctoral Degree	112	95%
Declined to Participate	8,005	52%

**FIRST-TIME EXAMINATION PASS RATES BY EDUCATION LEVEL  
CALENDAR YEAR 2023 (Continued)**

<b>LICENSE TYPE</b>	<b>EXAMINEES</b>	<b>PASS RATE</b>
<b>Accident / Health or Sickness -</b>		
High School/ GED	448	66%
Some College	794	74%
2-Year College Degree	283	79%
4-Year College Degree	791	83%
Master's Degree	224	85%
Doctoral Degree	31	97%
Declined to Participate	512	79%
<b>Personal Lines -</b>		
High School/ GED	400	25%
Some College	392	32%
2-Year College Degree	114	41%
4-Year College Degree	132	64%
Master's Degree	15	67%
Doctoral Degree	0	0%
Declined to Participate	468	47%
<b>Limited Lines Automobile -</b>		
High School/ GED	222	65%
Some College	79	80%
2-Year College Degree	27	70%
4-Year College Degree	8	100%
Master's Degree	1	0%
Doctoral Degree	0	0%
Declined to Participate	28	54%

2023 ANNUAL REPORT

**CLIMATE *and* SUSTAINABILITY  
BRANCH**

## **CLIMATE AND SUSTAINABILITY BRANCH**

The Climate and Sustainability Branch (CSB) was established in January 2019 to develop and oversee policy initiatives related to understanding and reducing climate risk and promoting a sustainable insurance market in California. The climate and sustainability portfolio includes contributing to policy development for climate resilience to wildfire, flood, and extreme heat risks, collecting and analyzing climate risk and insurance market data, exploring new scenario analyses of physical and transition risks, leading new initiatives through the National Association of Insurance Commissioners (NAIC) Climate Risk and Resilience Executive Task Force, and implementing recent legislation and regulations. The following five paragraphs describe some of the highlights from 2023, all aligning with the California Department of Insurance's (CDI) focus on Disaster Recovery and Climate Change.

### **Implementation of Insurance Data Collections and Reporting.**

CSB coordinated and implemented a substantial year for the collection and use of CDI-collected data on many issues, including wildfire issues. The Data Analytics and Reporting (DAR) Division collected, analyzed, and reported data on non-renewals and FAIR Plan policies in the residential market, implemented data collections on losses in relation to wildfire risk categories, and launched a wildfire data webpage to provide a consistent, publicly accessible place for data resources related to wildfire. This data provided the backbone of information used to develop the implementation approach for the Commissioner's Sustainable Insurance Strategy, announced in September 2023. Among the many data-driven reports and information releases in 2023, DAR produced important new data on long-standing issues, such as long-term care insurance, as well as overviews of different insurance lines to inform CDI policy priorities and decisions.

### **Strengthened financial oversight by publishing first-ever review of TCFD (Task Force for Climate related Financial Disclosures) Climate Risk Disclosure Survey responses.**

CSB staff grew the Climate Risk Disclosure Survey for the fourth year in a row, and created a new, robust review methodology for the annual reports to assist insurance regulators in more effectively utilizing the information in the reports. CSB strengthened the Climate Risk Disclosure Survey by leading the growth of the survey from 15 states and jurisdictions to 27 states and jurisdictions, representing nearly 85 percent of the U.S. insurance market. The growth from 6 to 27 states and jurisdictions from 2019 to 2023 demonstrates the success of collaborating with other U.S. state insurance regulators.

In July 2023, CSB published a new report, in collaboration with the Ceres Accelerator for Sustainable Capital Markets, establishing a new methodology for reviewing the

TCFD reports that are collected each year. The report, titled [Climate Risk Management in the U.S. Insurance Sector: An Analysis of Climate Risk Disclosure](#), is the first comprehensive review of U.S. insurance companies' climate risk strategies, and revealed that insurance companies are pursuing a diversity of strategies related to climate risks.

**Led the development of the first-ever NAIC National Climate Resilience Strategy for Insurance.**

In November 2023, CSB worked with the NAIC Climate and Resiliency Executive Committee Task Force members to develop the first-ever NAIC National Climate Resilience Strategy for Insurance. The goal of the strategy is to drive faster and more effective risk reduction by state insurance regulators to ensure that insurance continues to be available and reliable as a crucial backbone to communities facing climate risks. This strategy gives regulators the tools to do that and an action plan by advocating for home hardening from wildfires, floods, and storms; utilizing catastrophe modeling information; better informing the public of risks; and making sure new solvency tools are updated to incorporate further analysis of climate risks.

The new strategy creates a multi-year approach to the work of the NAIC Climate and Resiliency Task Force. A linchpin of the nonpartisan strategy is the states' Property & Casualty Market Intelligence Data Call (PCMI) to collect and analyze data covering more than 80% of the U.S. property insurance market by premium volume.

**Led NAIC Climate Risk and Resilience Executive Task Force and NAIC Property and Casualty Standing Committee (C Committee) to develop first-ever NAIC Property and Casualty Market Intelligence Data Call.**

CSB worked with the NAIC and other state insurance regulators to design a multi-state data call coordinated by the NAIC to collect and analyze data covering more than 80% of the U.S. property insurance market by premium volume. The Property & Casualty Market Intelligence Data Call (PCMI) will gather data from more than 400 property insurers operating locally and across the country to give state insurance regulators a clear sense of what is happening in their individual property markets and the nation overall.

This PCMI Data Call represents the first multi-state data collection on the availability and affordability of residential property insurance related to climate risks, such as wildfires, storms, and wind events. The PCMI Data Call was developed under the coordination of the NAIC's Property and Casualty Insurance (C) Committee, with the collaboration of NAIC staff and members of the NAIC Climate Risk and Resilience Executive Task Force, and will be fully implemented by the U.S. state insurance regulators in 2024.



**Provided technical support to pass legislation to collect data on Zero-emission Medium and Heavy Duty Trucks.**

CSB designed the proposal and provided technical support for the passage of Assembly Bill 844 (AB 844), authored by Assemblymember Mike Gipson and sponsored by Insurance Commissioner Ricardo Lara, which provided specific authority to CDI to collect data from insurance companies on the emerging Zero-emission Medium and Heavy Duty Truck market in California. This data collection will create a source of credible data for insurance companies to use in properly pricing and selling insurance for clean truck fleets, supporting the deployment of cleaner technologies and the achievement of California's climate goals. With hundreds of thousands of new zero-emission trucks expected in the next few years, AB 844 will help secure a strong insurance market that supports a transition to fewer emissions and cleaner air. Using this data, the Department will create a one-stop shop for truck fleet operators to easily find insurance options, while working together with other state agencies, including the California Air Resources Board, on a strategy to close any coverage gaps that exist.

The data and future reports by CDI in response to this legislation are extremely timely and align with the [latest action by the California Air Resources Board](#) to increase the sale of zero emission medium- and heavy-duty vehicles builds on decades of work to end diesel pollution, especially among trade corridors largely located in communities of color. When he was a member of the California State Legislature, Commissioner Lara authored the Super Pollutant Reduction Act (SB 1383, 2016) setting a target of cutting emissions of black carbon in half by 2030 – much of it from diesel-powered vehicles.

2023 ANNUAL REPORT

**COMMUNICATIONS *and* PRESS  
RELATIONS BRANCH**

## COMMUNICATIONS AND PRESS RELATIONS BRANCH

The Communications and Press Relations Branch (CPRB) manages communication within the California Department of Insurance (CDI) and disseminates CDI's work on behalf of the public to consumers, media, CDI staff, and other stakeholders at the local, state, and national level.

The function of CPRB is to keep a wide variety of stakeholders, such as the media, general public, consumer advocates, the Governor's Office, allied agencies, public policy officials, and regulated entities informed about significant insurance issues. CPRB staff works closely with other branches of the Department to advance CDI's goals and objectives and serves as an effective liaison with the media (including television, newspapers, radio, online publications, and bloggers) via press releases, phone calls, emails, social media outreach, videos, and events.

During 2023, major initiatives included:

- **Consumer protection and education:** CPRB communicated and coordinated with numerous international, national, state, and local reporters to promote the Consumer Services and Market Conduct Branch and Consumer Hotline. The Branch supported outreach regarding pending legislation, including media coverage, developing fact sheets, consumer stories, virtual events, briefing calls, townhalls, and graphic design and promotion.
- **California disaster preparedness and recovery public information campaign:** CPRB led a multi-pronged outreach campaign to motivate California residents to prepare for wildfire season and to educate them about post-disaster recovery by combining efforts with CAL FIRE, Cal OES, local leaders, and non-profit and government assistance services. CPRB leveraged opportunities to positively impact consumer behavior. As California still recovers from the last several years of catastrophic wildfires, CPRB worked with media, disseminated press releases, and used social media to share CDI's efforts and resources at dozens of virtual town halls and events.
- **Improving Access to Insurance:** CPRB worked with multiple branches across the Department to announce the new Sustainable Insurance Strategy, a comprehensive approach building on Commissioner Lara's multi-year effort to modernize California's insurance market and the largest insurance reform since the passage of Proposition 103. CPRB coordinated press conferences, media briefings, press releases, fact sheets, videos, graphics, PowerPoints and numerous other materials to support each of the executive actions and announcements that were part of the Department's efforts to improve insurance choices for consumers and stabilize the insurance market as part of the Sustainable Insurance Strategy.

- **Promoting Wildfire Safety:** CPRB worked with agencies and other stakeholders to continue to promote Safer from Wildfires, the insurance framework for wildfire safety. This included a public education effort in support of new insurance pricing regulation recognizing and rewarding wildfire safety and mitigation efforts made by homeowners and businesses. Commissioner Lara’s regulation is the first in the nation requiring insurance companies to provide discounts to consumers under the Safer from Wildfires framework.
- **Fighting the Effects of Climate Change:** In addition to the continued work of the Climate Insurance Working Group, CPRB produced press releases, speeches, and social media by the Commissioner about his comprehensive effort to reduce the effects climate change, particularly the new joint report with Ceres Accelerator for Sustainable Capital Markets announcing the first comprehensive review of U.S. insurance companies’ climate risk strategies.
- **Expanding access to health care:** CPRB produced news materials, press releases, and speeches by the Commissioner about proposed changes to increase access to health care, including continuing the fight for health protections for LGBTQ+ individuals and defending the right to reproductive freedom in the face of continued attacks. CPRB arranged interviews about health insurance changes and other health care system information to media outlets across the nation.
- **Protecting Californians from insurance fraud:** CPRB produced multiple news materials, press releases, and speeches about the efforts to curb insurance fraud. CDI partnered with district attorneys across the state to not only fight insurance fraud but to deliver strong deterrent messages and warn the public of potential scams following disasters as well as the consequences and dangers of insurance fraud.
- **Leveraging social media to advance CDI’s mission:** CPRB expanded CDI’s presence on social media and launched stories and videos to deliver relevant and timely information about resources for consumers, inform the public about breaking news, and participate in several state and national campaigns, including Wildfire Awareness Month, International Fraud Awareness Week, the Great California Shakeout, National Preparedness Month, and Public Service Recognition Week. CPRB also increased consumer engagement on social media, increasing CDI’s audience and reach while sharing important information for consumers.

2023 ANNUAL REPORT  
**COMMUNITY RELATIONS** *and*  
**OUTREACH BRANCH**

## COMMUNITY RELATIONS AND OUTREACH BRANCH

The Community Relations and Outreach Branch (CROB) is dedicated to consumer education and outreach, working with our partners in federal, state, and local elected district offices. Together, we expand CDI's efforts to assist wildfire survivors, local governments, small businesses, community service organizations, neighborhood associations, and consumers in accessing the Department's services. This includes educating consumers through the development and distribution of insurance [Informational Guides](#) in print and online to meet consumer needs and statutory provisions in compliance with California Insurance Code (CIC) Section 12921.3 and 12921.5.

### **CONSUMER EDUCATION AND OUTREACH**

A dedicated team of outreach professionals collaborate with federal, state, county, and local city elected officials' district offices to inform a variety of groups on timely and important insurance topics. In addition to providing speakers at regularly scheduled events, staff works collaboratively with these partners to organize workshops, health forums, town hall meetings, seminars, roundtables and educational panels to promote and deliver comprehensive consumer education.

Wildfire survivors dealing with ongoing insurance claims issues are assisted through workshops held in their local areas in conjunction with the Consumer Services Division. In addition to CDI's hotline, 1-800-927-4357, CROB provides guides to help consumers understand insurance coverages and terms, prepare them for the process of making and settling a claim and help them avoid some of the pitfalls that can occur along the way.

During 2023, CROB communicated with every federal, state, county and local city elected official district office to expand CDI's efforts to inform consumers about the services available through the Department. We held meetings, roundtable discussions, townhalls, tabled at events among others. Meetings and events included:

- 17 Members of Congress, 62 Members of the California Senate, 97 Members of the Assembly, 87 county officials and 271 city officials.
- Partnered with 229 local community-based organizations, including chambers of commerce, national, state-wide, and local service associations.
- The CROB Outreach Team held a total of 968 virtual and in-person insurance informational meetings and events focusing on insurance resources, wildfire preparedness, annuities and fraud awareness for seniors. Events included town halls, briefings, roundtables, exhibits, clinics, forums, and virtual Zoom and

Facebook Live events that informed consumers on actions taken by the Commissioner to assist consumers.

## **OFFICE OF THE OMBUDSMAN**

The Ombudsman's primary function is to ensure the Department provides the highest level of customer service to our consumers, insurers, agents, brokers, and public officials. The Ombudsman is responsible for ensuring that complaints about Department staff or actions receive full and impartial review. The Ombudsman also serves as the primary contact for constituent cases referred by legislative offices.

During 2023, Ombudsman staff facilitated and closed 1,977 cases. This included responding to 1,011 consumer requests for assistance, 677 legislative inquiries, 42 local government requests, 154 agent and applicant inquiries, 41 insurance industry inquiries, and 22 general requests from other divisions within the Department or other state agencies.

## **LIFE AND ANNUITY CONSUMER PROTECTION PROGRAM (LACPP)**

CDI is tasked with educating consumers on all aspects of life insurance and annuity products, including consumer rights and protections, the purchasing and utilization of life insurance and annuity products, claims filing, benefit delivery, and dispute resolution for the Life and Annuity Consumer Protection Program.

CROB continues to distribute *Annuities - What Seniors Need to Know*, *Informing Seniors: Senior Insurance Bill of Rights*, and *Driving for Seniors* brochures at consumer outreach events, to other states agencies, and to district attorneys' offices throughout the state.

The [Seniors Information Center](#) on CDI's website provides useful information through alerts and advisories issued by CDI. The website also includes videos and insurance guides specific to seniors. The website's [Health Coverage Programs and Resources](#) section provides links to programs and resources such as Health Insurance Counseling and Advocacy Program (HICAP), Medicare Advantage Plan, California Health Advocates, and Social Security.

CROB continues to host the [Senior Gateway](#), an inter-agency website designed to provide meaningful resources to seniors and their families, to inform them about health care and insurance options, and empower them to protect themselves against financial fraud, abuse, and neglect. To date, Senior Gateway has received more than 400,000 page views with 39,833 in 2023 alone, and continues to be a source of valuable information to consumers.

In order to reach more seniors, we are advertising on social media, Facebook/Meta and Instagram. From September 2023 to December 2023 social advertisements ran across Meta in English and Spanish. We had 1,209,133 impressions and 6,187 clicks.

English – 804,061 impressions

Spanish – 405,072 impressions

The campaign also gained 6,293 Post Engagements where English gained the most engagements.

To further educate seniors about life insurance and annuity products, CROB participated in over 100 senior events in 2023. The senior events provided information regarding scams committed against seniors, the purchase and use of insurance and annuity products, claim filings, and dispute resolution.

Ongoing relationships with the California Department of Financial Protection and Innovation, Contractors State License Board Senior Scam Stoppers, Department of Consumer Affairs, AARP, and various legislative offices, as well as our presence at senior expos and health fairs, enhanced the Department's ability reach the public with our resources.

The following educational materials were distributed during 2023:

- Annuities, What Seniors Need to Know (English and Spanish)
- Informing Seniors and Senior Insurance Bill of Rights (English and Spanish)
- Driving for Seniors (English and Spanish)
- Personal Planning Guide

## **PATIENT AND PROVIDER PROTECTION ACT (PPPA)**

CIC Section 10133.661 requires that CDI “provide announcements that inform health insurance consumers and their health care providers of the Department’s toll-free telephone number that is dedicated to the handling of complaints and of availability of the internet web page established under this section, and the process to register a complaint with the Department and to submit an inquiry to it.”

In order to reach more consumers we are advertising CDI’s toll-free telephone number on social media, Facebook/Meta and Instagram. From September 2023 to December 2023 social ads ran across Meta in English and Spanish. There were 1,645,628 impressions and 8,073 clicks.

English – 1,039,377 impressions

Spanish – 606,251 impressions



This campaign drove 8,237 Post Engagements where English gained the most engagements.

Announcements have been made throughout the year at public events CROB staff has been involved in, whether in-person or through social media and virtual platforms. The announcements have emphasized CDI's ability to help consumers and providers resolve disputes with insurers through our toll-free telephone number. In addition, consumers and providers are informed of the availability of the Provider Complaint Center located at CDI's website [www.insurance.ca.gov](http://www.insurance.ca.gov) under [Resolve Disputes or File A Complaint](#).

## **CALIFORNIA LOW COST AUTOMOBILE INSURANCE PROGRAM**

The California Low-Cost Auto Insurance (CLCA) program is a state-sponsored program that makes auto insurance affordable for everyone. It was designed to provide income eligible drivers with affordable rates to meet California's mandatory auto insurance law.

CLCA went into effect in 2000 and has provided auto insurance coverage to more than 226,577 California drivers since its inception. In the year 2023, there were a total of 21,157 new applications assigned, 14,576 canceled policies, 6,126 renewed policies, and 918 policies reinstated. At the end of 2023, there were 29,988 active policies. This is an increase of 83% since 2022. According to the California Assigned Risk Plan (CAARP), approximately 73% of applications assigned were from uninsured motorists at the time of their CLCA policy application.

As insurance premiums continue to increase to untenable levels across the state, more drivers are searching for affordable insurance. In 2023, there were 219,418 first-time visits to the CLCA website compared to 82,935 first-time visits in 2022, which shows an increase of 165%.

Since its inception, the program has continued to evolve through legislative changes to better meet the needs of California drivers, allowing more Californians to participate. In 2023, Assembly Bill 917 (Ortega, Chapter 350, Statutes of 2023) made the CLCA program permanent under California law, eliminating the January 1, 2025 sunset date and requiring CDI to submit a report to the Legislature on or before March 15, 2024, March 15, 2025, and March 15, 2026, and every 5 years thereafter.

### **California Low Cost Auto Insurance 2023 Overview Report**

- Unique Website Visits:
  - 2022: 82,935
  - 2023: 219,418
  - 165% increase
  
- CLCA Applications:

- 2022: 10,617
- 2023: 21,157
- 99.27% increase
  
- AB 917 passed to make the program permanent
- 226,577 policies for California drivers since its inception
- 83% increase in active policies
- 56% increase in certified producers for the program
- 18% increase in events
- 61,260 informational materials dispersed (increase of 6%)
- Continued partnership with DMV for a total of over 2,900+ unique scans for silent commercial:
  - DMV Silent Ad (English): 1,351
  - DMV Silent Ad (Spanish): 1,856

Consumers can learn more by visiting the [California Low Cost Auto website](#) or CDI's webpage: [California's Low Cost Auto Insurance Program](#).

2023 ANNUAL REPORT  
**CONSERVATION *and* LIQUIDATION  
OFFICE**

## **CONSERVATION & LIQUIDATION OFFICE**

### **Section One – The Conservation & Liquidation Office**

- Background
- Organizational Structure
- Oversight Board and Audit Committee Meetings
- 2023 Organizational Goals and Results
- CLO Investment Policy
- Administrative Expenses
- CLO Compensation
- Compensation Methodology
- CLO Financial Results
- Estates Open for Longer than Ten Years
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### **Section Two – Estate Specific Information**

- Conservation or Liquidation Estates Opened and Closed During 2023
- Current Year and Cumulative Distributions by Estate
- Estates in Conservation and/or Liquidation as of December 31, 2023
- Report on Individual Estates

### **Section Three – Cross Reference to California Insurance Code**

- 2023 Cross Reference to California Insurance Code

## **SECTION ONE – THE CONSERVATION & LIQUIDATION OFFICE**

### **Background**

The California Insurance Commissioner (Commissioner), an elected official of the State of California, acts under the supervision of the Superior Court when conserving and liquidating insurance enterprises. In this statutory capacity, the Commissioner is charged with the responsibility for taking possession and control of the assets and affairs of financially troubled insurance enterprises domiciled in California. An impaired enterprise subject to a conservation or liquidation order is commonly referred to as an estate.

The Commissioner, through the state Attorney General's office, applies to the Superior Court for a conservation order to place the financially troubled enterprise in conservatorship. Under a conservation order, the Commissioner takes possession of the estate's financial records and real and personal property, and conducts the business of the estate until a final disposition regarding the estate is determined. The conservation order allows the Commissioner to begin an investigation to determine, based on the estate's financial condition, if the estate can be rehabilitated, or if continuing business would be hazardous to its policyholders, creditors, or the public.

If, at the time the conservation order is issued or anytime thereafter, it appears to the Commissioner that it would be futile to proceed with the conservation, the Commissioner will apply for an order to liquidate the estate's business. In response to the Commissioner's application, the Court generally orders the Commissioner to liquidate the estate's business in the most expeditious fashion.

The Conservation & Liquidation Office ("CLO") performs conservation and liquidation services on behalf of the Commissioner with respect to insurance companies domiciled in California.

The CLO was created in 1994 as the successor to the Conservation & Liquidation Division of the Department of Insurance which was managed by State employees. The CLO is based in San Francisco, California. As of December 31, 2023, the CLO is responsible for the administration of nine insurance estates.

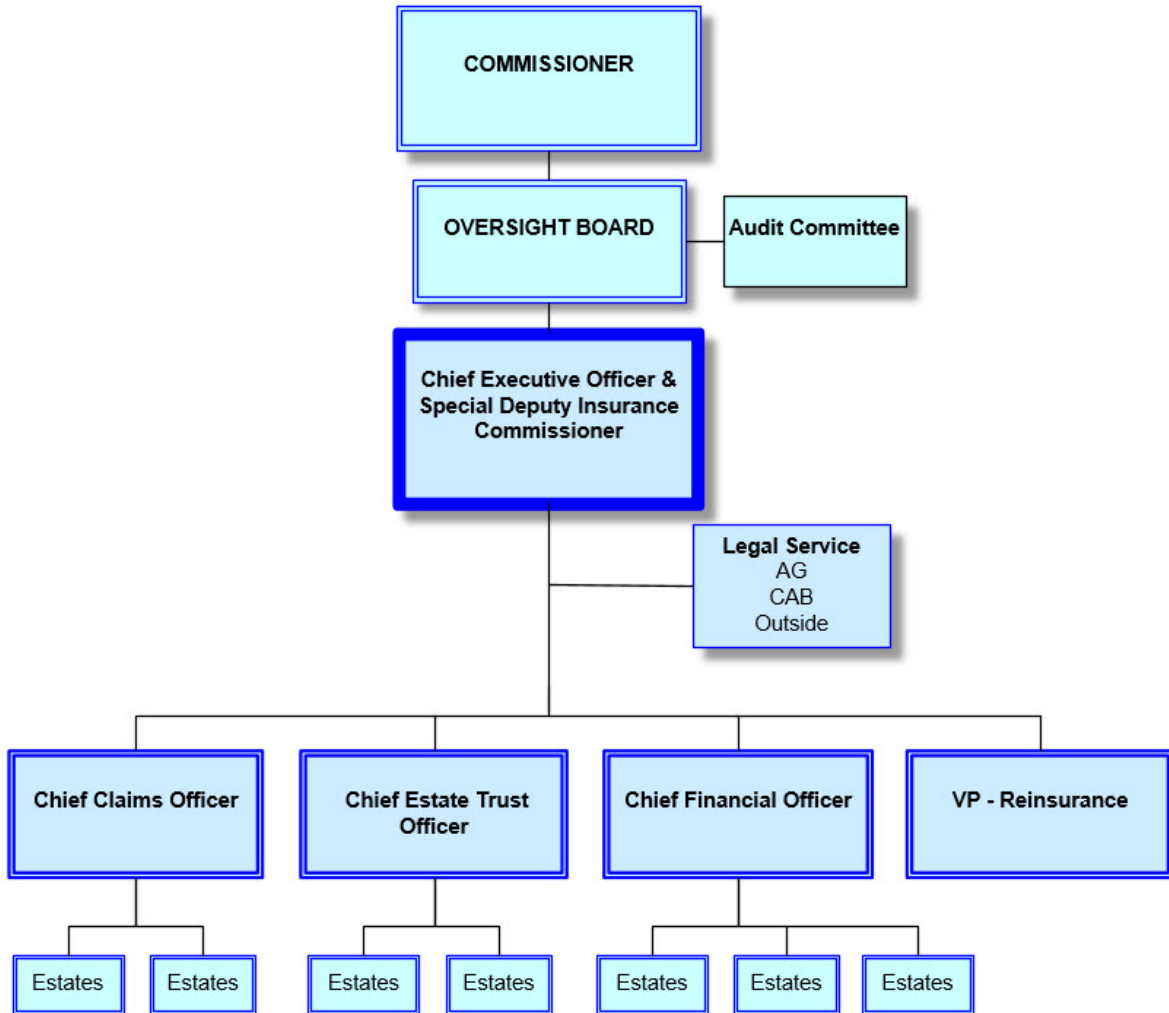
In addition to the role described above, the CLO at times provides special examination services to the Financial Surveillance Branch of the Department of Insurance. The CLO is reimbursed directly by the company being examined. During 2023, the CLO assisted with one such examination.

In 2014, the CLO's Oversight Board authorized the CLO/Regulatory Services Group (RSG) (name used when doing work other than traditional California conservation and liquidations) to enter an engagement with the Nevada Insurance Commissioner to provide receivership management services. In 2016, the Board authorized engagements with Insurance Commissioners from the states of Colorado, Hawaii,

Oregon, and Wyoming. In 2017, the Board authorized an engagement with the State of Arizona to assist in the Meritas insolvency. In 2020, the Board again authorized an engagement with the State of Nevada to assist in the Physicians Indemnity Risk Retention Group insolvency. In 2023, the Board authorized an engagement with the state of Colorado to assist with the Administrative Supervision of a Colorado domiciled company. By providing professional troubled company and receivership services to other states, the CLO and RSG are able to maintain proven receivership skills and institutional knowledge in California at a time that receiverships/liquidations are declining. These engagements further help to reduce the overall cost to California estates under the management of the CLO.

### Organizational Structure

#### Conservation & Liquidation Office Executive/Board



### **Oversight Board and Audit Committee Meetings**

CLO activities are overseen by an Oversight Board composed of three senior executives of the California Department of Insurance. The Board also serves as the Audit Committee members. During 2023, the Oversight Board and Audit Committee members are the Chief Deputy Commissioner, Deputy Insurance Commissioner – General Counsel, and Deputy Commissioner – Financial Surveillance Branch.

During 2023 the Oversight Board and Audit Committee held three regularly scheduled meetings.

### **Mission Statement and 2023 Organizational Goals and Results**

The CLO's Mission Statement is as follows:

The CLO, on behalf of the Insurance Commissioner, rehabilitates and/or liquidates, under Court supervision, troubled insurance enterprises domiciled in the State of California. In addition, the CLO provides Special Examination Services, with Commissioner and Board oversight. As a fiduciary for the benefit of claimants, the CLO handles the property of troubled or failed enterprises in a prudent, cost-effective, fair, timely, and expeditious manner.

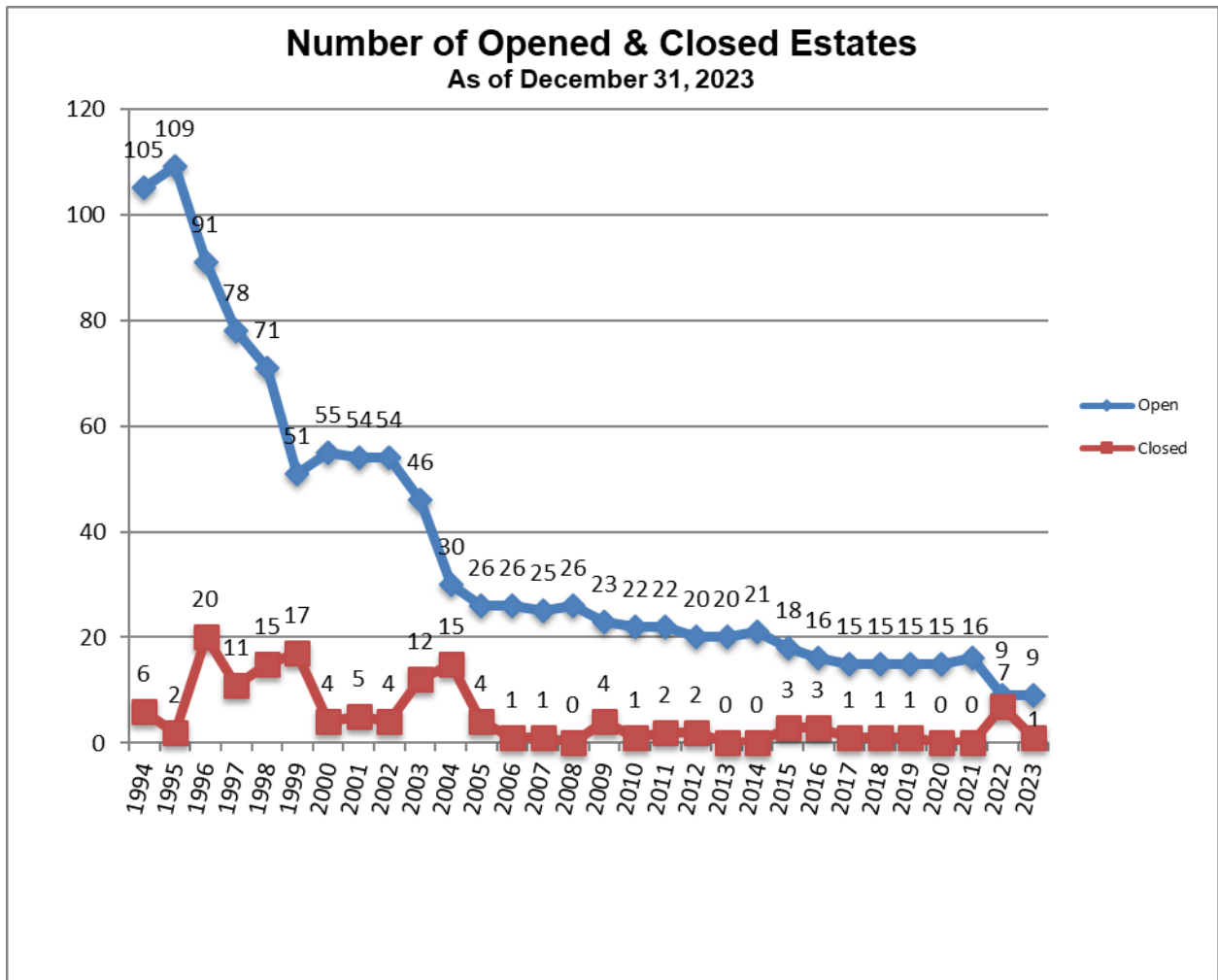
On an annual basis, the CLO prepares a Business Plan for the organization supporting the CLO Mission Statement. The Business Plan is presented to the Oversight Board for approval.

The 2023 Business Plan focused on estate closings and distributions, collecting/converting assets, evaluating claims and enhancing the operating efficiencies of the CLO.

Entering 2023, there were 9 open estates under management. All open estates are property & casualty estates. The CLO goal in 2023 was to close one estate and distribute \$34.95 million.

1. Closings

GOAL	RESULTS
Close one Estate: 1) Great States Ins. Co.	Great States Ins. Co. closed on December 6, 2023.



Since 1994, there have been approximately 141 estates closed. These estates consisted of 55 ancillaries, 22 title companies and 64 regular insurers. Ancillary and title companies typically require only limited work on behalf of the Liquidator.



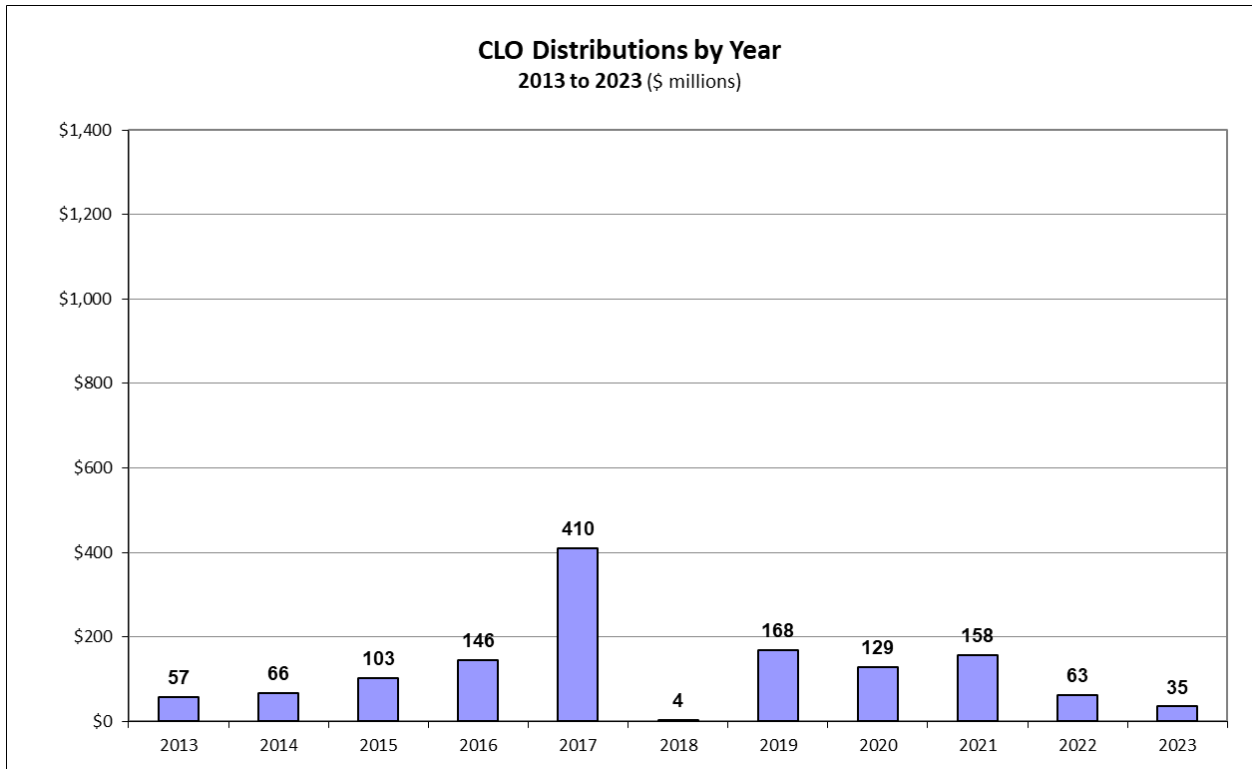
## 2. Distributions

### Early Access Distribution

Estate	2023 Actual (\$ Millions)	2023 Goal (\$ Millions)
CastlePoint National Ins. Co.	\$30.09	30.00
Merced Property and Cas. Co.	3.63	3.60
<b>Sub-total:</b>	<b>\$33.72</b>	<b>\$33.60</b>

### Final Distributions

Estate	2023 Actual (\$ Millions)	2023 Goal (\$ Millions)
HIH America Ins.	\$1.35	\$1.35
<b>Sub-total:</b>	<b>1.35</b>	<b>1.35</b>
<b>TOTAL DISTRIBUTIONS:</b>	<b>\$35.07</b>	<b>\$34.95</b>



## **CLO Investment Policy**

The CLO has a formal investment policy, as approved by its Oversight Board, requiring that investments be investment grade fixed income obligations of any type. These investments may be issued or guaranteed by (1) the U.S. and agencies, instrumentalities, and political sub-divisions of the U.S., and/or (2) U.S. corporations, trusts and special purpose entities. Such securities must be traded on exchanges or in over-the-counter markets in the U.S. None of the portfolio will be invested in fixed income securities rated below investment grade quality by Standard & Poor's, Moody's, or by another nationally recognized statistical rating organization. In addition, the duration must be maintained within +/- 12 months of the Barclays Capital U.S. Government/Credit 1-3 Yr. The average duration was approximately 2 years at December 31, 2023.

The investments are managed in equal parts by two professional money management firms and are warehoused with US Bank.

At December 31, 2023, the CLO had \$195.4 million of estate marketable investment securities under management.

For the year ending December 31, 2023, the average portfolio balance was approximately \$207 million. The portfolio earned an interest yield of 3.2% and a net yield after security gains/losses and mark-to-market adjustments of 5.5%.

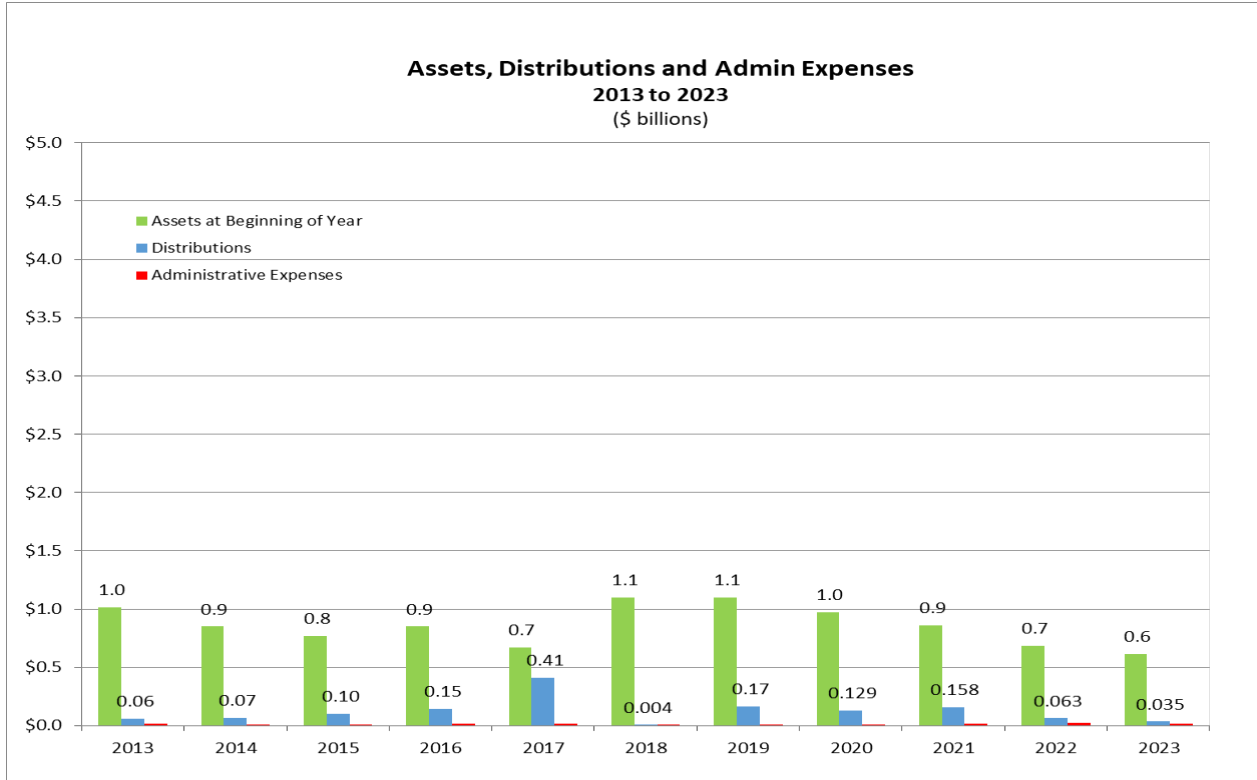
## **Administrative Expenses**

Administrative expenses consist of both direct and indirect expenses. See "CLO Financial Results" section of this report on the budget and actual expenditures for 2023 for direct and indirect expenses.

Direct expenses charged to estates consist of legal costs, consultants and contractors, salaries and benefits for employees working exclusively for a single estate, if applicable, office expenses, and depreciation of property and equipment.

Indirect expenses that are not incurred on behalf of a specific estate are allocated using an allocation method based on the ratio of employee hours directly charged to a specific estate to total direct hours charged to all estates. For example, if employees charged 200 hours to a specific estate and in total 2,000 hours were incurred by all estates that specific estate would be allocated 10% (200 hours divided by 2,000 total hours charged to all estates). Indirect expenses include CLO employee compensation, rent, and other facilities charges and office expenses.

In accordance with California Insurance Code Section 1035, the Commissioner may petition funds from a general appropriation of the State of California Insurance Fund if an estate does not have sufficient assets to pay for administrative expenses.



The chart above displays the aggregated estate assets at the beginning of year, distributions and administrative expenses from the year 2013 to 2023. The table below lists these figures.

Year	Assets (\$ billions)	Distributions (\$ millions)	Administrative Expenses (\$ millions)
2013	\$1.0	\$57	\$14
2014	\$0.9	\$66	\$15
2015	\$0.8	\$103	\$16
2016	\$0.9	\$146	\$15
2017	\$0.7	\$410	\$11
2018	\$1.1	\$4	\$9
2019	\$1.1	\$168	\$13

<b>Year</b>	<b>Assets (\$ billions)</b>	<b>Distributions (\$ millions)</b>	<b>Administrative Expenses (\$ millions)</b>
2020	\$1.0	\$129	\$11
2021	\$0.9	\$158	\$15
2022	\$0.7	\$63	\$24
2023	\$0.6	\$35	\$17*

\* This amount includes a 5% contingent legal fee (\$5,530,505) incurred by Colorado HealthOp in 2023 for litigating and collecting \$110 million in risk corridor receivables from the Centers for Medicare and Medicaid Services (“CMS”). If you exclude the Colorado Health expenses for 2023, the total CLO administrative expenses for 2023 were \$11,095,495.

### Compensation Methodology

The CLO is not part of the State’s civil service system. All employees are at-will. The CLO does not have a bonus plan or pay incentive compensation. To that end, the CLO has established policies and procedures that are more akin to the private marketplace. The CLO engages an outside consultant to assist in establishing compensation ranges. In developing this report for the CLO, the primary survey source used was the CompAnalyst, which is a large survey representing thousands of companies across the U.S. which includes hundreds of jobs. This subscription survey collects marketplace compensation data from many sources and uses mathematical algorithms to predict the pay level of any of its survey jobs in major industries and geographical locations. The data used in this study was the nonprofit industry segment located in San Francisco.

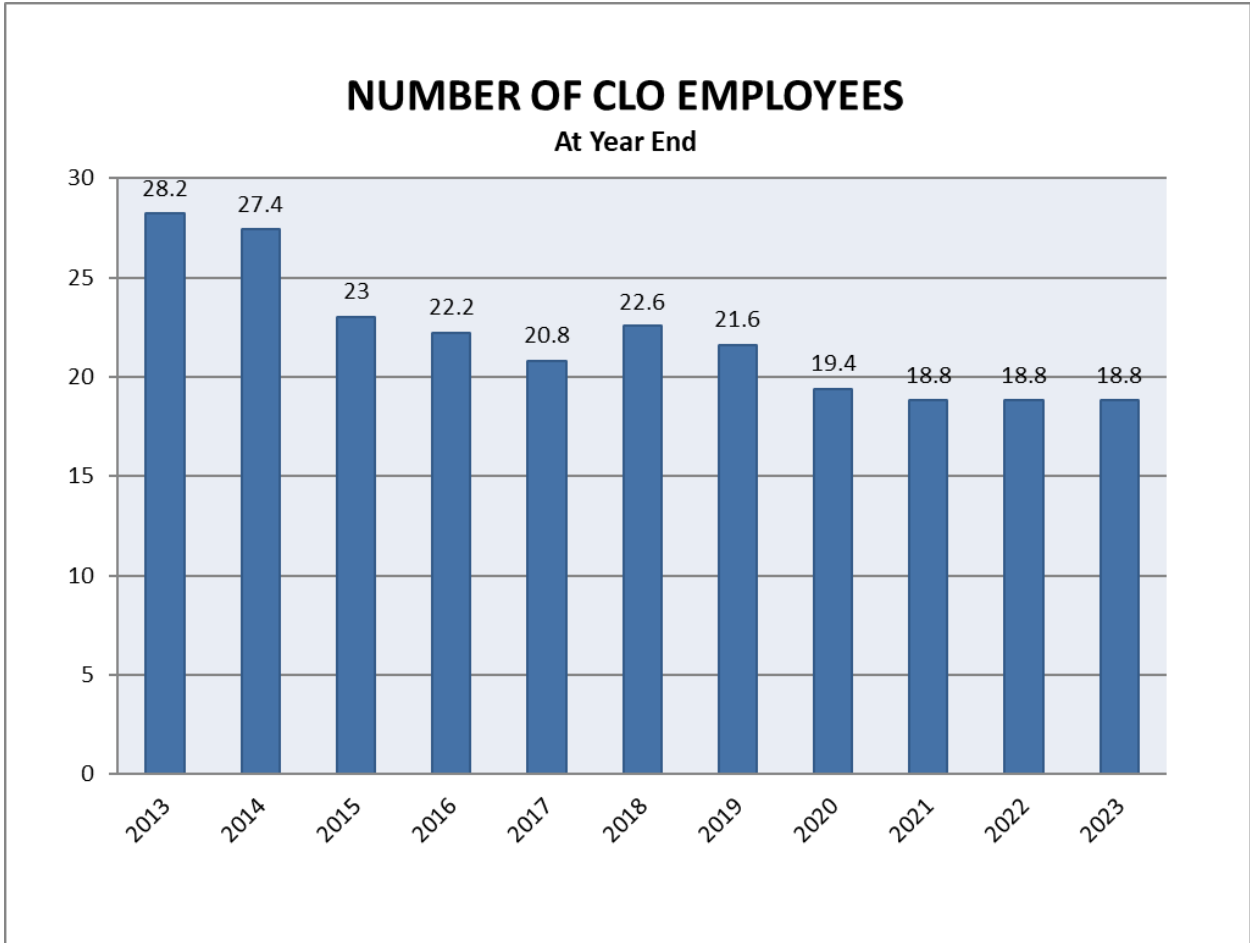
A summary of the compensation procedures follows:

- A written job description is developed for each position.
- Salary grades are derived from comparable external market data.
- Salary ranges are identified (low, middle, and high) based on market comparisons obtained by an outside independent compensation consultant.
- Salary ranges are updated periodically.
- The creation of a “new job position” is sent to an outside consultant for external evaluation.

- All employees receive an annual compensation review.

CLO employment on a full-time equivalent basis and total compensation for employees are summarized below:

	<b>2023</b>	<b>2024 (Budget)</b>
Number of CLO full-time equivalent employees at beginning of year	18.8	18.8
Total compensation and benefits for CLO employees	\$4,437,550	\$4,718,793



The chart above shows the number of CLO full-time employee equivalent from 2013 to 2023.

As estates have closed resulting in reduced workloads and as a result of internal operating efficiencies the number of full-time employees decreased by 33% compared to December 31, 2013.

**CLO Financial Results**

For Years Ended December 31, 2023 and December 31, 2022

Cash received	December 31, 2023	December 31, 2023	December 31, 2022
	Actual	Budget	
Reinsurance recoveries, and miscellaneous income	\$57,217,400	Reinsurance recoveries and miscellaneous income are not amendable to budgeting due to the irregular timing of their occurrence.	\$12,202,500
Investment income, net of expenses	15,615,900	Investment income is not budgeted due to the large changes in investment balances that occur throughout the year (due to distributions), as well as changes in investment return rates.	-14,892,500
<b>Total:</b>	<b>\$72,833,300</b>		<b>-\$2,690,000</b>

	December 31, 2023	December 31, 2023	December 31, 2022
	Actual	Budget	
<b>Distributions</b>	<b>\$35,067,300</b>	<b>\$34,950,000</b>	<b>\$62,713,000</b>

**Administrative – Estate Direct Expenses**

	December 31, 2023		December 31, 2022
	Actual	Budget	
Legal expenses	\$6,991,000	\$2,370,500	\$2,445,400
Consultants and contractors	1,709,500	1,087,000	7,698,900
Office expenses	1,527,200	882,300	5,699,100
Compensation and benefits	535,900	627,300	2,534,400
<b>Total:</b>	<b>*\$10,763,600</b>	<b>\$4,967,100</b>	<b>\$18,377,800</b>

\*Direct Estate expenses were approximately \$5.8 million over budget. The Direct Estate expense variance was primarily related to unbudgeted legal expenses for the Colorado HealthOp, a Regulatory Services Group company. This legal expense was a 5% contingent legal fee (\$5,530,505) incurred by

Colorado HealthOp in 2023 for litigating and collecting \$110 million in risk corridor receivables from the Centers for Medicare and Medicaid Services (“CMS”).

**Administrative – Estate Direct Expenses (Excluding COOP Legal Expenses)**

Estate Direct Expenses	December 31, 2023	December 31, 2023	December 31, 2022
	Actual	Budget	
Legal expenses	\$1,460,500	\$2,370,500	\$2,445,400
Consultants and contractors	1,709,500	1,087,000	7,698,900
Office expenses	1,527,200	882,300	5,669,100
Compensation and benefits	535,800	627,300	2,534,400
<b>Total:</b>	<b>\$5,233,000</b>	<b>\$4,967,100</b>	<b>\$18,377,800</b>

**Administrative – CLO Overhead Expenses**

CLO overhead expenses	December 31, 2023	December 31, 2023	December 31, 2022
	Actual	Budget	
Compensation and benefits	\$4,437,500	\$4,539,800	\$4,382,500
Office expenses	1,308,000	1,445,900	1,523,700
Consultants and contractors	114,200	92,000	88,700
Legal expenses	2,700	8,000	8,800
<b>Total:</b>	<b>\$5,862,400</b>	<b>\$6,085,700</b>	<b>\$6,003,700</b>
Administrative Totals	December 31, 2023	December 31, 2023	December 31, 2022
	Actual	Budget	
<b>Estate Direct Expense Total</b>	<b>\$10,763,600</b>	<b>\$4,967,100</b>	<b>\$18,377,800</b>
<b>CLO Overhead Expense Total</b>	<b>5,862,400</b>	<b>6,085,700</b>	<b>6,003,700</b>
<b>Total:</b>	<b>\$16,626,000</b>	<b>\$11,052,800</b>	<b>\$24,381,500</b>



## **Estates Open Longer Than Ten Years**

After the entry of an order placing an impaired California insurer into conservation and/or liquidation, the Insurance Commissioner and the CLO have the statutory responsibility to marshal and resolve the assets and liabilities of the failed entity.

The time required to close an insolvency proceeding is largely determined by the amount and complexity of the assets to be monetized and distributed to claimants. In addition, the length of an insolvency is equally affected by the amount of time required to make a final determination of an estate's liability.

Most of the insolvencies that remain open for more than ten years have some combination of on-going litigation, complicated tax exposure, potential collection of additional material assets, and challenges associated with the evaluation of liabilities. Until both sides of the insolvent estate's balance sheet are resolved (assets collected and liabilities fixed), the insolvency proceeding will remain open. In addition, estates are subject to federal tax reporting and escheatment requirements after the final distribution. The estates listed below have been in liquidation for ten years or more.

### ***Fremont Indemnity Company:***

Fremont released a \$83.4 million final distribution to approved Class 2 creditors on September 26, 2019; the distribution paid 43.25% of approved policyholder claims. The Estate completed most all post distribution and closing activities in 2020 including the sale of a subsidiary entity to a third party. The Estate continues to hold certain non-transferrable annuity assets that generate material periodic payments to the estate and will continue to over the next number of years. Together with the FLIC sale proceeds, the liquidation court has authorized the estate to retain the non-transferrable assets to be collected, and to distribute those funds when collections reach a \$5 million threshold. The estate currently anticipates sufficient asset collections to potentially release a distribution in 2025.

### ***Golden Eagle:***

The Estate has been placed in an administrative closure status on the active Superior Court docket subject to the remaining claims run-off plan. Golden Eagle policyholder claims have been 100% reinsured and are being paid timely. The reinsurance program covering the court sanctioned run-off ensures Golden Eagle's ability to pay all policyholder claims when and as they become payable (up to the reinsurer's aggregate limit of liability). As such the Commissioner has not asked the court to take any action that would prematurely cut off any policyholder's right to submit and be paid on a claim covered under a Golden Eagle policy. Golden Eagle and the insurance guaranty associations remain liable to the policyholders in the very unlikely event the reinsurance is not sufficient to satisfy all claim obligations. The reinsurance program is believed to have sufficient coverage to accommodate all remaining claims exposure, but if the

reinsurance protection is ever exhausted (by reaching the reinsurer’s aggregate limit of liability) the Commissioner will take steps to trigger guaranty association protection for Golden Eagle’s policyholders. Until all claims are resolved or paid out, the Estate will continue to honor all remaining claims run-off requirements but will remain in an administratively closed status. The CLO acts in a purely monitoring capacity to ensure that the reinsurance contract continues to be sufficient to pay all claims.

**Mission/Mission National:**

Both Mission Insurance Company and Mission National Insurance Company have paid 100% of all Policyholder claim exposure. In addition to entering into agreements with the United States Department of Justice and the EPA on a Federal Waiver settlement and release, the Mission estate received material distributions in 2019 and early 2020 from the Receivership estate of Centaur in Illinois. Subsequent to the Centaur collections, the Mission estate completed distributions to creditors totaling \$49.5 million. Mission and Mission National estates will remain open to collect final reinsurance obligations from other insolvent estates.

**Claims History**

**Property and Casualty Estates**

<b>Estate</b>	<b>Liquidation Date</b>	<b>Proof of Claims Filed</b>	<b>Proof of Claims Resolved</b>	<b>Open Proof of Claims</b>
California Ins Co	N/A	TBD	TBD	TBD
CastlePoint National	4/1/2017	1,906	879	1,027
Crusader Ins Co	N/A	TBD	TBD	TBD
Fremont	7/2/2003	45,673	45,673	0
Golden Eagle	2/18/1998		n/a (see below)	
Merced	12/3/2018	450	376	74
Mission (2 estates)	2/24/1987	141,646	141,646	0
Western General	08/05/2021	2,593	814	1,779
	<b>Total:</b>	<b>192,268</b>	<b>189,388</b>	<b>2,880</b>

*Note: Golden Eagle is not subject to a finding of statutory insolvency. All claims are covered under a reinsurance agreement and are being paid by the reinsurer.*

## 2024 Business Goals

The 2024 Business Plan is focusing on estate closings and distributions.

Entering 2024 there are nine open estates under management by the CLO. The open estates consist of nine Property & Casualty Estates. Our goal in 2024 is to distribute \$25.00 million.

Starting 2024, we have 18.8 full-time employee equivalents. We will re-assess staffing requirements throughout the year and will make any changes deemed necessary.

The 2024 Goals are as follows:

1. Close 1 Estate  
Merced Property and Cas. Co.

*Note: Closing is defined as fully releasing the Commissioner from all legal responsibilities for an estate.*

2. Early Access and Final Distributions

Interim Distribution:

CastlePoint National Ins. Co. ....20,000,000

Final Distributions:

Merced Ins. Co. ....5,000,000

**\$25,000,000**

**SECTION TWO – ESTATE SPECIFIC INFORMATION**

**Conservation or Liquidation Estates Opened During the Year 2023**

Crusader Ins. Co. – June 7, 2023

**Conservation or Liquidation Estates Closed During the Year 2023**

Great States Ins. Co. – December 6, 2023

	Conservation & Liquidation Office Current Year and Cumulative Distributions by Estate							
	Year Ended 12/31/2023				Cumulative to 12/31/2023			
	Federal and State				Federal and State			
	Policyholders	Claims	General Creditors	Total	Policyholders	Claims	General Creditors	Total
*CastlePoint National Ins Co	30,085,159	-	-	30,085,159	342,347,309	-	-	342,347,309
Fremont Indemnity Co	-	-	-	-	1,106,139,443	-	-	1,106,139,443
Merced Property & Casualty Ins	3,630,954	-	-	3,630,954	27,415,029	-	-	27,415,029
Mission Ins Co	-	-	-	-	846,832,560	23,861,132	390,041,525	1,260,735,218
Mission National Ins Co	-	-	-	-	536,482,595	4,850,000	27,077,326	568,409,921
	<u>33,716,113</u>	<u>-</u>	<u>-</u>	<u>33,716,113</u>	<u>2,859,216,937</u>	<u>28,711,132</u>	<u>417,118,851</u>	<u>3,305,046,920</u>

\*The CastlePoint estate made statutory deposit releases of \$227.6 million (2017), \$4.9 million (2018), and \$19 million (2019) and an early access distribution of \$60.7 million occurred in October of 2022. These statutory deposit releases and prior distributions coupled with the 2023 early access distribution of \$30.1 million give the estate a cumulative distribution total of \$342.3 million.

*Note: Golden Eagle, California Ins. Co., Crusader, and Western General estates are not included as no distributions have occurred.*

**Estates in Conservation and/or Liquidation as of December 31, 2023**

<b>Estate Name</b>	<b>Date Conserved</b>	<b>Date Liquidated</b>
California Insurance Company	11/04/19	*
CastlePoint National Insurance Company	07/28/16	04/01/17
Crusader Insurance Company	06/07/2023	*
Fremont Indemnity Company	06/04/03	07/02/03
Golden Eagle Insurance Company	01/31/97	02/18/98
Merced Property and Casualty Company	**	12/03/18
Mission Insurance Company	10/31/85	02/24/87
Mission National Insurance Company	11/26/85	02/24/87
Western General Insurance Company	05/26/2021	08/05/2021

**\*No Liquidation Order obtained**

**\*\*No Conservation Order obtained**

## **Report on Individual Estates**

Each estate has its own unique set of challenges to monetizing assets, valuing the claims, distributing assets and closing. No two estates are the same. The remaining portion of Section 2 provides a brief summary of the 2023 operating goals and results, the current status of the estate in the conservation or liquidation process, and summarized financial information. (*See note below*)

In reviewing the financial information, the following must be taken into account:

- The Statement of Assets and Liabilities have been prepared on the liquidation basis of accounting. Under the liquidation basis of accounting, assets reported on the financial statements are assets that are determined to be collectible. The liabilities may change during the course of the liquidation depending on the types of business written by the company, and as claims are reviewed and adjudicated.
- No estimates for future administrative expenses are included in the liabilities, unless the estate has been approved for final distribution and closure by the Court.
- California Insurance Code Section 1033 prescribes that claims on estate assets are paid according to a priority scheme, except when otherwise provided in a rehabilitation plan. The probability of a claim being paid is dependent on the valuation of the claim, the order of priority of the claim, and the amount of funds remaining after other claims having higher preference have been discharged. Each priority class of claims must be fully paid before any distribution may be made to the next priority class. All members of a class receiving partial payment receive the same pro-rata amount.
- For estates where available assets are insufficient to pay all policyholder claims, the CLO intentionally does not evaluate the lower priority proofs of claims, since to do so would incur unnecessary administrative time and expenses, reducing funds available for distribution to higher-priority claimants.
- Shareholders receive any remaining residual value of the estate's net assets only after the general creditors have been paid.
- Beginning Monetary Assets at takeover represent cash and investment balances at the time of liquidation or, in cases where the estate was first liquidated and managed by other parties, at the time the estate was taken over by the Conservation & Liquidation Office.

*Note: Each estate under management of the CLO has an annual independent review of its financial statements. Copies of the independently reviewed financial statements can be accessed through the [CLO webpage](#). Annual audits or reviews are waived for estates with little or no assets or activity*

## **ESTATE SPECIFIC INFORMATION**

### **California Insurance Company**

Conservation Order: November 4, 2019

#### **2023 Report**

California Insurance Company ("CIC") was placed into Conservation on November 4, 2019 by the California Superior Court for the County of San Mateo. The Conservator was appointed to address and resolve certain regulatory concerns related to CIC's recent attempt to exit the California market without the necessary prior approval to do so. The Conservator developed and seeks court approval of a comprehensive rehabilitation plan to address the issues with CIC and their desire to re-domesticate outside California. The Conservator has argued his rehabilitation plan before the San Mateo Superior Court, and has received a favorable ruling approving the rehabilitation plan subject to CIC's appellate rights and opposition. Subject to any timely filed writ the Conservator will plan to implement the terms of the plan in 2024.

California Ins Co

**ASSETS AND LIABILITIES**

As of December 31, 2023

<b>Assets</b>	<b>12/31/2022</b>	<b>12/31/2023</b>
Cash and investments	\$1,180,598,939	\$1,213,785,263
Other assets	227,790,309	336,940,998
<b>Total assets</b>	<b>\$1,408,389,248</b>	<b>\$1,550,726,261</b>
<b>Liabilities</b>		
Claims against policies	\$490,480,468	\$562,670,900
All other claims	272,431,321	356,171,954
<b>Total liabilities</b>	<b>762,911,789</b>	<b>918,842,854</b>
<b>Net assets (deficiency)</b>	<b>\$645,477,459</b>	<b>\$631,883,407</b>

**INCOME AND EXPENSES**

For Year Ended December 31, 2023

<b>Income</b>	<b>2022</b>	<b>2023</b>
Net premium income	\$348,534,526	\$501,177,607
Investment income	8,091,285	23,525,497
Other income	44,603,120	(44,562,867)
<b>Total income</b>	<b>\$401,228,931</b>	<b>\$480,140,237</b>
<b>Expenses</b>		
Loss and claims expense	\$399,023,052	\$472,390,038
Federal Income Tax expense	6,389,031	5,507,680
<b>Total expenses</b>	<b>405,412,083</b>	<b>477,897,718</b>
<b>Net income (loss)</b>	<b>(\$4,183,152)</b>	<b>\$2,242,519</b>



## **CastlePoint National Insurance Company**

Conservation Order: July 28, 2016

Liquidation Order: April 1, 2017

### **2023 Report**

CastlePoint National Insurance Company (CastlePoint) was a California domiciled property and casualty insurer that was placed into Conservation on July 28, 2016 and Liquidation effective April 1, 2017 by the San Francisco Superior Court.

CastlePoint is the successor by merger with the following companies prior to Conservation:

- Tower Insurance Company of New York
- Tower National Insurance Company
- CastlePoint Florida Insurance Company
- Massachusetts Homeland Insurance Company
- York Insurance Company of Maine
- Hermitage Insurance Company
- North East Insurance Company
- Preserver Insurance Company
- CastlePoint Insurance Company

A Conservation and Liquidation Plan approved by the Court allowed CastlePoint to deconsolidate from its parent and from the consolidated taxpayer group. In addition, it allowed the Receiver to commute stop loss reinsurance treaties in return for a cash payment of \$200 million which enabled CastlePoint to continue to make claim payments while the claim files were being prepared for the transfer to the 47 affected guaranty associations. A total of 5,977 claim files were transferred through this process.

Since the order of liquidation, the Receiver has opened and/or re-opened approximately 3,225 claim files for the various guaranty associations. All timely received POCs are being reviewed and processed in conformity with the creditor-priority statutes established in California Insurance Code, Section 1033. The estate continues to address all the normal issues of long-tail liquidation and remains primarily focused on collecting assets, updating and managing legacy and standalone systems to efficiently bill and collect reinsurance assets. In addition to data management for asset collections the estate will rely on legacy information and documentation to properly analyze priority and or complex policy claims received through the POC process. CastlePoint has also collected in excess of \$50 million in miscellaneous assets and \$78 million in reinsurance recoveries.

An addendum to an administrative services agreement between CastlePoint and AmTrust/National General was executed to continue to support the claims, IT and accounting functions of the insolvency through December 31, 2024.

CastlePoint received court approval and completed its first early access distribution in the amount of \$60 million in October 2022. The estate completed a second early access distribution in the amount of \$30 million in November 2023, and received approval of its annual procedural filings (2022 Status and Fee Application).

CastlePoint National Ins Co

**ASSETS AND LIABILITIES**

As of December 31, 2022 and December 31, 2023

<b>Assets</b>	<b>12/31/2022</b>	<b>12/31/2023</b>
Cash and investments	\$269,288,700	\$252,164,400
Recoverable from reinsurers	208,420,600	200,772,200
Other assets	18,437,200	17,492,100
<b>Total assets</b>	<b>496,146,500</b>	<b>470,428,700</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	7,119,000	7,119,000
Claims against policies, before distributions	1,071,223,100	1,103,874,200
Less distributions to policyholders	(312,262,100)	(342,347,300)
All other claims	64,312,500	63,651,300
<b>Total liabilities</b>	<b>830,392,500</b>	<b>832,297,200</b>
<b>Net assets (deficiency)</b>	<b>(334,246,000)</b>	<b>(361,868,500)</b>

**INCOME AND EXPENSES**

For Year Ended December 31, 2022 and 2023

<b>Income</b>	<b>2022</b>	<b>2023</b>
Investment income	(\$13,779,500)	\$12,982,900
Salvage and other recoveries	1,147,400	877,700
<b>Total income</b>	<b>(12,632,100)</b>	<b>13,860,600</b>
<b>Expenses</b>		
Loss and claims expenses	38,286,200	37,685,300
Administrative expenses	3,929,500	3,819,400
<b>Total expenses</b>	<b>42,215,700</b>	<b>41,504,700</b>
<b>Net income (loss)</b>	<b>(\$54,847,800)</b>	<b>(27,644,100)</b>

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$519,264,000
Recoveries, net of expenses .....	75,247,700
Distributions .....	(342,347,300)
<b>Monetary assets available for distribution .....</b>	<b>\$252,164,400</b>

## **Crusader Insurance Company**

Conservation Order: June 7, 2023

### **2023 Report**

Crusader Insurance Company was placed into Conservation on June 7, 2023 after being found to be operating in hazardous financial condition. The Conservator has established daily oversight and control of the estate's operations in Calabasas, and is working to complete the final transition of all systems and assets (in accordance with the Conservation Order) and provided notices of the Conservation to all claimants, vendors and potential creditors. The Conservator has provided retention agreements to 8 employees to preserve a knowledgeable workforce throughout the Conservation. In addition, the Conservator obtained a lease extension in its current space through December 31, 2024.

On March 1, 2024 Crusader filed their December 31, 2023 annual statement and reported policyholders' surplus of \$5.35 million. After two quarters of adverse development of prior losses to start the year, the last two quarters of 2023 have reflected considerable improvement in claim emergence. While the estate continues to receive a few new claims each month, the total claim count has been reduced to 184 open claims as of March 1st. Milliman as well as CDI actuaries have reviewed the year-end 2023 reserves and believe that they are fairly stated. Crusader will continue to focus on an efficient claims run-off, but most remaining open claims are in some phase of litigation and continue to generate high legal expenses.

The Crusader estate has worked to separate as much of the estate's operational reliance on its parent company systems and services. Most all required support systems and staffing for the run-off have been effectively retained directly by the conservation estate with little remaining operational dependency between the two entities. Certain insurance contracts continue to be handled on a shared/prorated basis with the parent as there were no alternatives to secure or retain the service independently. The estate is actively working to secure and maintain legacy payroll records electronically and has recently completed all discrimination testing and reporting for the Unico/Crusader 401K Profit Sharing Plan.

Crusader Ins Co

**ASSETS AND LIABILITIES**

As of December 31, 2023

<b>Assets</b>	<b>12/31/2023</b>
Cash and investments	\$30,701,390
Other assets	965,830
Total assets	<u>\$31,667,220</u>

<b>Liabilities</b>	<b>12/31/2023</b>
Claims against policies	\$26,255,000
All other claims	63,960
Total liabilities	<u>26,318,960</u>
Net assets (deficiency)	<u><u>\$5,348,260</u></u>

**INCOME AND EXPENSES**

For Year Ended December 31, 2023

<b>Income</b>	<b>2023</b>
Net premium income	\$0
Investment income	1,741,290
Other income	(218,984)
Total income	<u>\$1,522,306</u>

<b>Expenses</b>	<b>2023</b>
Loss and claims expense	\$8,918,240
Federal Income Tax expense	-
Total expenses	<u>8,918,240</u>
Net income (loss)	<u><u>(\$7,395,934)</u></u>

## **Fremont Indemnity Company**

Conservation Order: June 04, 2003

Liquidation Order: July 02, 2003

### **2023 Report**

Fremont released an \$83.4 million final distribution to approved Class 2 creditors on September 26, 2019. The distribution paid 43.25% of approved policyholder claims. The estate completed all customary post distribution and closing activities in 2020. The estate remains administratively closed before the Court, but in accordance with its 2019 closing order the dormant estate has been granted leave to continue to collect periodic annuity payments which, when coupled with other recent recoveries, will lead to a further distribution, possibly in 2025. The estate seeks to accumulate approximately \$5 million of available funds prior to scheduling a distribution.

Fremont Indemnity Co

**ASSETS AND LIABILITIES**

As of December 31, 2022 and December 31, 2023

<b>Assets</b>	<b>12/31/2022</b>	<b>12/31/2023</b>
Cash and investments	\$5,433,300	\$6,561,400
Recoverable from reinsurers	518,200	44,200
Other assets	67,200	67,300
<b>Total assets</b>	<b>6,018,700</b>	<b>6,672,900</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	32,300	32,300
Claims against policies, before distributions	2,532,388,200	2,532,388,200
Less distributions to policyholders	(1,106,139,400)	(1,106,139,400)
All other claims	221,395,500	221,395,500
<b>Total liabilities</b>	<b>1,647,676,600</b>	<b>1,647,676,600</b>
<b>Net assets (deficiency)</b>	<b>(\$1,641,657,900)</b>	<b>(\$1,641,003,700)</b>

**INCOME AND EXPENSES**

For Year Ended December 31, 2022 and 2023

<b>Income</b>	<b>2022</b>	<b>2023</b>
Investment income	(\$147,700)	\$337,900
Salvage and other recoveries	346,400	451,100
<b>Total income</b>	<b>198,700</b>	<b>789,000</b>
<b>Expenses</b>		
Federal Income Tax Expense	-	26,000
Administrative expenses	112,000	108,700
<b>Total expenses</b>	<b>112,000</b>	<b>134,700</b>
<b>Net income (loss)</b>	<b>\$86,700</b>	<b>654,300</b>

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$434,855,900
Recoveries, net of expenses .....	677,844,900
Distributions .....	(1,106,139,400)
<b>Monetary assets available for distribution .....</b>	<b>\$6,561,400</b>

## **Golden Eagle Insurance Company**

Conservation Order: January 31, 1997

Rehab/Liquidation Plan Approved: August 4, 1997

Liquidation Order: February 18, 1998

### **2023 Report**

Golden Eagle Insurance Company (Golden Eagle) is the subject of a Plan of Rehabilitation and Liquidation (Plan) approved by the Superior Court in 1997. The Plan provides for an orderly “run-off” of claims under Golden Eagle’s pre-1997 insurance policies, a process which is ongoing.

As part of the process to run off the remainder of the Golden Eagle estate, additional reinsurance coverage was purchased from Liberty Mutual affiliates to cover all the remaining covered insurance policy exposures. Golden Eagle’s insurance liabilities are fully funded under the Plan eliminating the need for a formal finding of insolvency, and thus have not triggered the claim payment obligations of the Insurance Guaranty Associations (IGAs). Under the court approved Plan these claims will continue to be received, adjusted, and paid in the ordinary course of the run-off of Golden Eagle’s policyholder liabilities. The IGAs remain as a back-up, in the unlikely event that the claims payment assets available under the Plan are exhausted prior to the final policyholder claim payment.

All remaining policyholder claims continue to be administered and paid under the Plan’s indemnity reinsurance and excess of loss reinsurance agreements all within the range of expected cost and reinsurance coverage. The Plan agreements will remain in full force and effect until the entire remaining exposure is paid, assumed, or novated. Currently the legal proceeding is administratively closed on the active court docket, yet the Golden Eagle Estate must remain open to monitor the long-term claim run-off and to give policyholders access to appeal rights through the OSC process that is incorporated into the Plan.

The only assets that remain in the Estate consist of a reserve to fund the administrative expenses that the CLO will incur while monitoring the duration of the run off process.



Golden Eagle Ins Co

**ASSETS AND LIABILITIES**

As of December 31, 2022 and December 31, 2023

<b>Assets</b>	<b>12/31/2022</b>	<b>12/31/2023</b>
Cash and investments	\$1,243,500	\$1,284,300
Total assets	1,243,500	1,284,300

<b>Liabilities</b>	<b>12/31/2022</b>	<b>12/31/2023</b>
Total liabilities	-	-
Net assets (deficiency)	\$1,243,500	\$1,284,300

**INCOME AND EXPENSES**

For Year Ended December 31, 2022 and 2023

<b>Income</b>	<b>2022</b>	<b>2023</b>
Investment income	(\$46,000)	\$69,500
Total income	(46,000)	69,500

<b>Expenses</b>	<b>2022</b>	<b>2023</b>
Administrative expenses	19,300	28,700
Total expenses	19,300	28,700
Net income (loss)	(\$65,300)	\$40,800

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover <sup>9</sup> .....	\$2,029,000
Recoveries, net of expenses .....	(744,700)
Monetary assets available for distribution .....	\$1,284,300

<sup>9</sup> As of December 31, 2006, when Golden Eagle's estate accounting was transferred to the CLO.

## **Merced Property & Casualty Company**

Liquidation Order: December 3, 2018

### **2023 Report**

Merced Property & Casualty Company (“Merced”) located in Atwater, California is a wholly owned subsidiary of United Heritage Financial Group, and was licensed and authorized to transact homeowners insurance including fire, surety, plate glass, liability, burglary and automobile in California.

Merced was placed into liquidation by the Merced County Superior Court on December 3, 2018. In late November 2018 at the time of the Commissioner’s urgent filing for an insolvency order, Merced reported approximately \$23 million in admitted assets and \$63 million in total estimated liabilities resulting in a reported negative surplus of \$40 million. Merced’s negative surplus position violates the minimum capital and surplus requirements as set forth in Insurance Code sections 700.01, 700.02 & 700.025.

Upon entry of the liquidation order, the California Insurance Guarantee Association’s (CIGA) statutory obligation to adjust and pay Merced claims was triggered. Independent of the CLO, CIGA filed a subrogation claim against PGE and to date has collected approximately \$60 million in recoveries.

As of December 31, 2023 the Merced estate, in coordination with the California Insurance Gurarantee Association (“CIGA”) has essentially paid all statutory obligations associated with the Merced liquidation. At year-end the guarantee association reported having made in excess of \$82 million in loss & loss adjustment payments, return premium and administration expenses. While CIGA maintained an additional \$6,081 in Class 2 case reserves at year-end, the Merced estate settled the guarantee association’s final claim in early 2024 resulting in a refund paid to Merced of approximately \$461,769. All of the estate’s guarantee fund covered claims have been paid. In addition, the Merced estate has distributed approximately \$4,830,000 to “over-cap” and other non-covered class 2 claimants essentially paying out all the policyholder class of approved liability.

CIGA has essentially completed it’s recovery work from the PG&E bankruptcy proceeding after having collected in excess of \$60 million in paid claim and claim expense recoveries through December 31, 2023. As reported above, the Merced estate has settled CIGA’s remaining claim and now seeks to resolve the Federal Waiver/Release to position the estate for a final distribution later in 2024. The CLO claims department is in the final phase and will complete the review of the remaining open POCs filed against the estate: a conditional claim filed by the federal government and a small population of Class 8 claimants. When considering the known claims today (including sufficient consideration for the federal claim and the Class 8 demands)

compared to the amount of assets held by the estate it appears fairly certain the Merced entity will be solvent after payment of all classes of approved POCs. Upon completion of the POC determination, the estate will seek approval to make a final distribution to approved claimants and to return all remaining assets to the parent. Periodic reporting and closure discussions held with management of the parent entity have been conducted over the last year.

Merced Property and Casualty Co

**ASSETS AND LIABILITIES**

As of December 31, 2022 and December 31, 2023

<b>Assets</b>	<b>12/31/2022</b>	<b>12/31/2023</b>
Cash and investments	\$10,627,900	\$7,912,700
Other assets	858,000	-
<b>Total assets</b>	<b>11,485,900</b>	<b>7,912,700</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	182,600	670,000
Claims against policies, before distributions	27,687,100	26,953,300
Less distributions to policyholders	(23,784,100)	(27,415,000)
All other claims	1,999,900	1,748,700
<b>Total liabilities</b>	<b>6,085,500</b>	<b>1,957,000</b>
<b>Net assets (deficiency)</b>	<b>5,400,400</b>	<b>5,955,700</b>

**INCOME AND EXPENSES**

For Year Ended December 31, 2022 and 2023

<b>Income</b>	<b>2022</b>	<b>2023</b>
Investment income	(\$164,600)	\$423,900
Salvage and other recoveries	5,883,600	750,500
<b>Total income</b>	<b>5,719,000</b>	<b>1,174,400</b>
<b>Expenses</b>		
Loss and claims expenses	(1,019,400)	(41,700)
Administrative expenses	436,400	816,500
<b>Total expenses</b>	<b>(583,000)</b>	<b>774,800</b>
<b>Net income (loss)</b>	<b>6,302,000</b>	<b>399,600</b>

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$23,011,357
Recoveries, net of expenses .....	12,316,343
Distributions.....	(27,415,000)
<b>Monetary assets available for distribution .....</b>	<b>\$7,912,700</b>

**Mission Insurance Company**

Conservation Order: October 31, 1985

Liquidation Order: February 24, 1987

**Mission National Insurance Company**

Conservation Order: November 26, 1985

Liquidation Order: February 24, 1987

**2023 Report**

In accordance with a 2006 court approved closing plan, the Mission estates completed a final policyholder distribution in 2006 whereby all policyholder claimants for Mission, Mission National and Enterprise were paid 100% of their approved claim. As of year-end 2020, the general creditors of the Mission estate have unsatisfied portions remaining on their approved claims.

The Mission estates participate as members of a consolidated tax group (Covanta being the parent) and, as such, are joint and severally liable for the tax exposure of the group. The Mission estate has been indemnified from certain tax and tax related exposure by the ultimate taxpayer.

After legal counsel for the estate reached an agreement with the United States Department of Justice and the EPA on a Federal Waiver settlement and release, the Estates made a material distribution in 2017 to all creditors. In November of 2019, the Mission estate received a material distribution from the receivership estate of Centaur insurance in Illinois. In November 2020, the Mission estate completed a distribution of approximately \$49.5 million to creditors. From inception of the trusts, the Mission estates have distributed a cumulative total of approximately \$1.4 billion.

The three Mission Trusts still have material recoveries due from the Holland America liquidation estate in Missouri, potentially in the \$24 million range. Counsel for the Mission Trusts continues to participate in periodic calls and discussions with counsel for the Missouri regulators seeking to assist where proper in advancing the settlement process. The Missouri regulators reported some progress on identifying and defending certain potential claims being asserted by the federal government against Holland America. The Mission Trusts have been extended by the liquidation court and will continue to efficiently distribute estate assets upon recovery in accordance with the comprehensive 2006 Mission closing order. The CLO will continue to offer assistance and help to advance the Missouri regulators collection and federal release efforts. In accordance with the terms of the liquidation court orders entered on behalf of the Mission Trusts, the three Trusts are actively working to destroy all legacy files held in storage and have completed disposal of essentially 50% of the volume of legacy records. The completion of the records project will eliminate a material estate expense

and position the estate to move quickly to distribute and close once final assets are recovered. There are no immediate distributions planned for the trusts.

Mission Ins Co

**ASSETS AND LIABILITIES**

As of December 31, 2022 and December 31, 2023

<b>Assets</b>	<b>12/31/2022</b>	<b>12/31/2023</b>
Cash and investments	\$2,924,300	\$2,896,800
Recoverable from reinsurers	649,700	649,700
Other assets	23,816,400	23,816,400
<b>Total assets</b>	<b>27,390,400</b>	<b>27,362,900</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	1,414,400	1,414,400
Claims against policies, before distributions	846,832,600	846,832,600
Less distributions to policyholders	(846,832,600)	(846,832,600)
All other claims	74,061,200	74,061,200
<b>Total liabilities</b>	<b>75,475,600</b>	<b>75,475,600</b>
<b>Net assets (deficiency)</b>	<b>(48,085,200)</b>	<b>(\$48,112,700)</b>

**INCOME AND EXPENSES**

As of December 31, 2022 and December 31, 2023

<b>Income</b>	<b>2022</b>	<b>2023</b>
Investment income	(\$89,800)	\$156,700
Salvage and other recoveries	-	150,000
<b>Total income</b>	<b>(89,800)</b>	<b>306,700</b>
<b>Expenses</b>		
Administrative expenses	505,400	334,200
<b>Total expenses</b>	<b>505,400</b>	<b>334,200</b>
<b>Net income (loss)</b>	<b>(\$595,200)</b>	<b>(\$27,500)</b>

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$133,667,000
Recoveries, net of expenses .....	1,106,215,000
Distributions .....	(1,236,985,200)
<b>Monetary assets available for distribution .....</b>	<b>\$2,896,800</b>

Mission National Ins Co

**ASSETS AND LIABILITIES**

As of December 31, 2022 and December 31, 2023

<b>Assets</b>	<b>12/31/2022</b>	<b>12/31/2023</b>
Cash and investments	\$3,191,900	\$3,370,300
Recoverable from reinsurers	1,793,200	1,793,200
Other assets	(100)	(100)
<b>Total assets</b>	<b>4,985,000</b>	<b>5,163,400</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	1,501,700	1,501,700
Claims against policies, before distributions	596,098,500	596,098,500
Less distributions to policyholders	(536,482,600)	(536,482,600)
All other claims	16,838,100	16,838,100
<b>Total liabilities</b>	<b>77,955,700</b>	<b>77,955,700</b>
<b>Net assets (deficiency)</b>	<b>(\$72,970,700)</b>	<b>(\$72,792,300)</b>

**INCOME AND EXPENSES**

For Year Ended December 31, 2022 and 2023

<b>Income</b>	<b>2022</b>	<b>2023</b>
Investment income	(\$99,800)	\$180,200
Salvage and other recoveries	83,200	83,400
<b>Total income</b>	<b>(16,600)</b>	<b>263,600</b>
<b>Expenses</b>		
Administrative expenses	68,100	85,200
<b>Total expenses</b>	<b>68,100</b>	<b>85,200</b>
<b>Net income (loss)</b>	<b>(\$84,700)</b>	<b>178,400</b>

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$18,289,000
Recoveries, net of expenses .....	548,641,200
Distributions.....	(563,559,900)
<b>Monetary assets available for distribution .....</b>	<b>\$3,370,300</b>

## **Western General Insurance Company**

Conservation Order: May 26, 2021  
Liquidation Order: August 5, 2021

### **2023 Report**

Western General was a property and casualty insurance company licensed to transact specialty dealer-originated and agent/broker produced non-standard private passenger automobile insurance. Most of Western General's business was written primarily through its affiliated agency All Motorists Insurance Agency (AMIA).

Based on Western General's quarterly statement of March 31, 2021 coupled with continuing losses thereafter, the Commissioner determined, and Western General's management and majority shareholder agreed, that Western General was in such an impaired financial condition that the further transaction of business by it will be, and is, hazardous to its policyholders, creditors and the public, and such condition was the grounds for the entry of an order of conservation under section 1011, subdivisions (d) and (h). On May 26, 2021, upon application to the Los Angeles Superior Court (Court), the Commissioner was appointed Conservator of Western General by the Court.

As of the end of June 2021, Western General had less than \$95,000 in unrestricted cash and current outstanding liabilities of approximately \$1.9 million (not including any claim expense). Based upon the foregoing facts, the Commissioner determined he could not affect the rehabilitation of Western General; that it would be futile to continue to proceed as Conservator with conducting the business of Western General; that Western General is insolvent and is unable to meet its financial obligations as they become due; and that such conditions are grounds for liquidation under applicable law. An order of liquidation (with a finding of insolvency) was entered by the Court on August 5, 2021. Additionally, the Court appointed a Deputy Liquidator and a Liquidation Manager to oversee and conduct Western General's insolvency proceeding to conclusion.

The entry of the liquidation order contained an express finding of insolvency thereby triggering the state-based insurance guaranty statutes, specifically the obligation of the respective state guaranty entities, in states where Western General wrote policies, to pay the open claims and claim expenses which Western General is no longer able to pay.

As of December 31, 2023 the Western General Estate, in coordination with the participating Insurance Guarantee Associations, has paid approximately \$14 million in loss and loss adjustment expense payments to insureds and estimates \$2 million in



reserves remaining to be resolved. The California Insurance Guarantee Association (CIGA) having the largest share of claims (approx. 70% of the book was written in California and accounts for approximately \$1.6 million of the remaining reserves) has also paid an additional approximately \$1.48 million in return premium.

The CLO claims staff have essentially reviewed all POCs received for basic compliance/timeliness and initial priority determination. The immediate focus remains on a complete assessment of all Class 2 policyholder exposure including claims with guaranty coverage and uncovered claims. Notifications to certain Class 2 insureds have been issued where their claims have been paid by the guarantee association. The policyholder/insured class of POCs will remain a priority in 2024.

To retain historical continuity and knowledge, the estate continues to rely upon 9 consultants (6 being former employees) to assist in the processing of the claims processing data, reinsurance processing, human resource management (401K), claims/POC determination. In addition, the estate has recently retained legal counsel and a party arbitrator to assist in the newly commenced arbitration with Yosemite Re (fka Fletcher Re).

Westen General Ins Co

**ASSETS AND LIABILITIES**

As of December 31, 2022 and December 31, 2023

<b>Assets</b>	<b>12/31/2022</b>	<b>12/31/2023</b>
Cash and investments	\$19,846,800	\$28,936,800
Recoverable from reinsurers	36,231,500	27,565,300
Other assets	150,400	100,200
<b>Total assets</b>	<b>56,228,700</b>	<b>56,602,300</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	2,165,700	1,036,800
Claims against policies, before distributions	58,301,000	58,341,700
Less distributions to policyholders	-	-
All other claims	7,875,900	6,140,600
<b>Total liabilities</b>	<b>68,342,600</b>	<b>65,519,100</b>
<b>Net assets (deficiency)</b>	<b>(\$12,113,900)</b>	<b>(\$8,916,800)</b>

**INCOME AND EXPENSES**

For Year Ended December 31, 2022 and 2023

<b>Income</b>	<b>2022</b>	<b>2023</b>
Net premium income	\$0	\$0
Investment income	\$318,300	\$691,800
Salvage and other recoveries	98,100	94,300
Other income	-	-
<b>Total income</b>	<b>416,400</b>	<b>786,100</b>
<b>Expenses</b>		
Loss and claims expenses	32,600	(5,534,800)
Administrative expenses	727,500	3,869,800
Other underwriting expense	-	-
<b>Total expenses</b>	<b>760,100</b>	<b>(1,665,000)</b>
<b>Net income (loss)</b>	<b>(\$343,700)</b>	<b>\$2,451,100</b>

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at year 2022 .....	\$19,846,800
Recoveries, net of expenses .....	9,090,000
Distributions .....	-
<b>Monetary assets available for distribution .....</b>	<b>\$28,936,800</b>

### **SECTION THREE – CROSS REFERENCES TO CALIFORNIA INSURANCE CODE (CIC)**

CIC Section 1035 – Deputy Commissioners, clerks, and assistants, and executive officers; chief executive officer of Conservation and Liquidation Office

- (a) In any proceeding under this article, the commissioner may appoint and employ under his or her hand and official seal, special deputy commissioners, as his or her agents, and to employ clerks and assistants and to give to each of them those powers that he or she deems necessary. Upon appointing or employing special deputy commissioners or executive officers, the commissioner shall notify the Chair of the Joint Legislative Budget Committee, by letter, of the action. The costs of employing special deputy commissioners, clerks, and assistants appointed to carry out this article, and all expenses of taking possession of, conserving, conducting, liquidating, disposing of, or otherwise dealing with the business and property of that person under this article, shall be fixed by the commissioner, subject to the approval of the court, and shall be paid out of the assets of that person to the department. In the event the property of that person does not contain cash or liquid assets sufficient to defray the cost of the services required to be performed under the terms of this article, the commissioner may at any time or from time to time pay the cost of those services out of the appropriation for the maintenance of the department, but not out of the assets of other estates. Any amounts so paid shall be deemed expenses of administration and shall be repaid to the fund out of the first available moneys in the estate.

CIC Section 1060 - The Commissioner shall transmit all of the following to the Governor, the Legislature, and to the committees of the Senate and Assembly having jurisdiction over insurance in the annual report submitted pursuant to Section 12922:

- (a) The names of the persons proceeded against under this article.
- (b) Whether such persons have resumed business or have been liquidated or have been mutualized.
- (c) Such other facts on the operations of the Conservation & Liquidation Office as will acquaint the Governor, the policyholders, creditors, shareholders and the public with his or her proceedings under this article, including, but not limited to:
  - (1) An itemization of the number of staff, total salaries of staff, a description of the compensation methodology, and an organizational flowchart.
  - (2) Annual operating goals and results.

- (3) A summary of all Conservation and Liquidation Office costs, including an itemization of internal and external costs, and a description of the methodology used to allocate those costs among insurer estates.
  - (4) A list of all current insolvencies not closed within ten years of a court ordered liquidation, and a narrative explaining why each insolvency remains open.
  - (5) An accounting of total claims by estate.
  - (6) A list of current year and cumulative distributions by class of creditor for each estate.
  - (7) For each proceeding, the net value of the estate at the time of conservation or liquidation and the net value at the end of the preceding calendar year.
- (d) Other facts on the operations of the individual estates as will acquaint the Governor, Legislature, policyholders, creditors, shareholders, and the public with his or her proceedings under this article, including, but not limited to:
- (1) The annual operating goals and results.
  - (2) The status of the conservation and liquidation process.
  - (3) Financial statements, including current and cumulative distributions, comparing current calendar year to prior year.

2023 ANNUAL REPORT

**CONSUMER SERVICES *and* MARKET  
CONDUCT BRANCH**

## CONSUMER SERVICES & MARKET CONDUCT BRANCH

The Consumer Services and Market Conduct Branch (CSMCB) focuses on consumer assistance and protection by educating consumers, mediating consumer complaints, and enforcing insurance laws. CSMCB enforces insurance laws during the investigation of individual consumer complaints against insurers and agents/brokers and through on-site examinations of insurer claims and underwriting practices. CSMCB consists of two divisions, six bureaus, a market analysis unit, and a unit of legal staff dedicated to consumer issues:

### Consumer Services Division (CSD)

- Consumer Communications Bureau (CCB)
- Claims Services Bureau (CSB)
- Health Claims Bureau (HCB)
- Rating and Underwriting Services Bureau (RUSB)

### Market Conduct Division (MCD)

- Field Claims Bureau (FCB)
- Field Rating and Underwriting Bureau (FRUB)
- Market Analysis Unit (MAU)

### Consumer Law Unit (CLU)

### CSMCB RESULTS FOR CALENDAR YEAR 2023

Result Description	Result
Consumer Telephone Calls and In-Person Assistance	201,765
Complaint Cases Opened	58,525
Complaint Cases Closed	56,827
Total Amount of Consumer Dollars Recovered	\$129,868,724

Result Description	Result
Number of Market Conduct Exams Adopted by the Commissioner	89
Total Amount of Claims Dollars Recovered or Premium Returned to Consumers from Market Conduct Exams	\$3,565,577
<b>CSMCB Grand Total Amount</b> (Consumer Dollars Recovered, Claims Dollars Recovered or Premium Returned to Consumers)	\$133,434,301

## **CONSUMER SERVICES DIVISION**

CSD responds to consumer inquiries and complaints involving insurance companies or agent and broker activities. The CSD is responsible for administering the program described in the California Insurance Code (CIC) Section 12921.1(a) for investigating complaints, responding to consumer inquiries, and bringing enforcement actions against insurers, agents, and brokers.

In accordance with CIC Section 12921.1(a)(10), this report includes a description of the operation of the complaint handling process, and the percentage of the Department's personnel years devoted to the handling and resolution of complaints.

The CCB staff respond to general insurance inquiries and answer questions about insurance claims and underwriting practices and administer the California Department of Insurance (CDI) Residential, Earthquake, and Automobile Mediation Programs.

The three written case units, CSB, HCB, and RUSB, are responsible for investigating, evaluating, and resolving written consumer complaints involving claims and rating and underwriting issues for all lines of insurance. In 2023, 122 full-time staff were devoted to the complaint handling operation. This represents almost nine percent of the 1398 total authorized positions in the Department.

All complaints are reviewed, and an investigation is generally initiated within three days of receipt. During this period, CDI contacts the appropriate insurers or agents and brokers. The time required to resolve a complaint varies depending on the case type and complexity of the issues presented. The average time for resolution is approximately 45 days from open to close. Complex cases involve the analysis of conflicting facts and applicable laws, as such, resolution of these cases may require a lengthier investigation. Conversely, cases involving less complex issues may be resolved within hours, days, or a few weeks. CDI informs consumers about the final resolution of their complaints as quickly as possible but no later than 30 days after final action. The cumulative results of our findings are published annually in the consumer complaint study available on CDI's public website at [Consumer Complaint Study](#).

**Consumer Complaint Trends** – The following tables identify notable complaint trends by line of coverage:

**PERCENTAGE OF COMPLAINTS BY LINES OF COVERAGE**

Coverage Type	2020	2021	2022	2023
Automobile	38.65%	31.19%	33.78%	35.23%
Accident & Health	21.53%	35.02%	33.09%	28.68%
Homeowners	15.06%	12.85%	12.98%	16.36%
Misc./Other	14.32%	11.64%	11.74%	11.21%
Life & Annuity	4.91%	4.42%	4.03%	3.38%
Fire, Allied Lines & CMP	3.41%	3.14%	2.91%	3.48%
Liability	2.00%	1.67%	1.41%	1.59%
Earthquake	0.12%	0.07%	0.06%	0.07%

**TOP TEN TYPES OF COMPLAINT REASONS**

Number	Types of Complaint Reasons	2020	2021	2022	2023
1	Denial of Claim	28%	27%	26.61%	27.48%
2	Claim Handling Delay	18%	22.10%	25.15%	25.02%
3	Unsatisfactory Settlement Offer	14%	13.64%	14.43%	14.28%
4	Premium & Rating	6%	5.73%	4.52%	5.00%
5	Nonrenewal	3%	2.55%	2.48%	3.77%
6	Cancellation	3%	3.33%	3.26%	3.70%
7	Premium Refund	5%	3.80%	3.06%	2.72%
8	Coverage Question	2%	2.22%	2.14%	1.94%
9	Premium Notice/Billing Problem	3%	2.01%	1.95%	1.85%
10	All Other Reasons	18%	17.62%	16.40%	14.24%

In accordance with reporting requirements of CIC Section 1858.35, the following table lists the number and type of complaints received by CDI from any person aggrieved by any rate charged, rating plan, rating system, or underwriting rule, and the disposition of these complaints.



**CIC SECTION 1858.35 COMPLAINTS BY TYPE/REASON  
Calendar Year 2023**

<b>Rank</b>	<b>Reason</b>	<b>Number of Complaints</b>
1	Premium & Rating	1709
2	Nonrenewal	1455
3	Cancellation	1181
4	Coverage Question	672
5	Premium Refund	630
6	Premium Notice/Billing Problem	561
7	Surcharge	553
8	Agent Handling	256
9	Rescission	162
10	All Other Reasons	1319
	<b>Total Number Reasons</b>	<b>8498</b>
	<b>Total Number of Complaints</b>	<b>7384</b>

Note: Many consumer complaints involve more than one issue. This explains the difference between the total number of complaints and total number of complaint types/reasons above. The complaint type/reason column also describes the various concerns addressed.

**CIC SECTION 1858.35 COMPLAINTS BY FINAL DISPOSITION  
Calendar Year 2023**

<b>Rank</b>	<b>Final Disposition</b>	<b>Number of Complaints</b>	<b>Recovery Amount</b>
1	Company Position Substantiated	5956	\$200,217.16
2	Compromised Settlement/Resolution	926	\$531,633.11
3	Company Position Overturned	523	\$868,465.32
4	Question of Fact/Contract Provision/Legal Issue	81	\$5853.44
5	Referred for Possible Disciplinary Action	34	\$18,034.26
6	All Other Disposition Codes	32	\$5078.50

Rank	Final Disposition	Number of Complaints	Recovery Amount
	<b>Total Number of Dispositions</b>	7552	\$1,629,281.79
	<b>Total Number of Complaints</b>	7384	\$1,629,281.79

Note: Many consumer complaints involve more than one issue and therefore may result in more than one disposition. This explains the difference between the total number of complaints and total number of dispositions above.

**Disaster Response**

CSD also coordinates CDI’s response to natural and other disasters affecting California insurance consumers and businesses. This response includes administration of the Emergency Disaster Assessment function described in CIC Section 16000, as well as assisting consumers affected by wildfires and other catastrophic events at Local Assistance and Disaster Recovery Centers, community events, and workshops.

In 2023, California continued to experience disasters. CSD monitored 15 wildfire, 2 earthquake, 1 landslide and 4 atmospheric river events. We had an unprecedented 51 deployments to assist survivors throughout the state at various Local Assistance and Disaster Recovery Centers and 1 deployment to assist fire survivors in Maui.

**Residential Property, Earthquake, and Automobile Physical Damage Mediation Program**

CSD administers CDI’s Residential Property, Earthquake Claims, and Automobile Physical Damage Mediation Program. The Program was established in 1995 in response to earthquake claims from the Northridge Earthquake of January 17, 1994. The Legislature has since expanded the program to include automobile physical damage and residential property disputes subject to specific guidelines. Residential property and earthquake (EQ) mediation are contingent upon a gubernatorial declaration of a state of emergency. Pursuant to CIC Section 10089.83, the results of the Program for calendar year 2023 are contained in the table below titled “Formal Mediation Program Results for Calendar 2023”.

**FORMAL MEDIATION PROGRAM RESULTS  
Calendar Year 2023**

RESULT DESCRIPTION	Residential	EQ	Auto	Totals
Number of mediation cases eligible	6	0	4	10
Number settled within 28-day settlement period	1	0	2	3
Number sent to mediation	5	0	2	7

RESULT DESCRIPTION	Residential	EQ	Auto	Totals
Number of cases rejected by insurer	0	0	0	0
Number of cases rejected by consumers	0	0	0	0
Number accepted by insurer	5	0	2	7
Number of settlements rejected within 3 day waiting period	0	0	0	0
Number of Cases Closed	6	0	4	10
Number of Cases Pending	0	0	0	0
Amount initially claimed	\$3,050,300.00	\$0	\$110,786.32	\$3,161,086.32
Amount of settlements	\$1,548,040.50	\$0	\$131,741.82	\$1,679,782.32

**Independent Medical Review Program**

CSD also administers an Independent Medical Review (IMR) program, which determines when treatment is medically necessary. This includes determining which complaints qualify for the program, guiding the consumer through the IMR process, working with the IMR organization, communicating the final decision to all parties, and developing statistics related to IMR results, which are made public with appropriate privacy protections on the Department’s public website at [Independent Medical Review Statistics](#).

**2023 INDEPENDENT MEDICAL REVIEW SUMMARY REPORT  
Annual Rate of IMR Cases by Total Insured Population**

Plan Type	Covered Lives as of 12/31/2023
Major Medical Plans Non-Grandfathered Large Group	605,344
Major Medical Plans Non-Grandfathered Small Group	98,744
Major Medical Plans Non-Grandfathered Individual	23

<b>Plan Type</b>	<b>Covered Lives as of 12/31/2023</b>
Major Medical Plans Grandfathered Large Group	7,450
Major Medical Plans Grandfathered Small Group	530
Major Medical Plans Grandfathered Individual	31,434
Student Health Plans	83,931
Total Insured Population	827,456
Total Number of IMR Cases	219
<b>Annual Rate of IMR Cases by Insured Population</b>	<b>0.03%</b>

**Annual Rate of IMR Cases by Health Insurer**

<b>Insurance Company</b>	<b>IMR Case Count</b>	<b>Annual Rate</b>
Aetna Life Insurance Company	115	0.0139%
Anthem Blue Cross Life & Health Insurance Company	32	0.0039%
Cigna Health & Life Insurance Company	31	0.0037%
Health Net Life Insurance Company	24	0.0029%

<b>Insurance Company</b>	<b>IMR Case Count</b>	<b>Annual Rate</b>
Unitedhealthcare Insurance Company	6	0.0007%
Nippon Life Insurance Company of America	5	0.0006%
Blue Shield of California Life & Health Insurance Company	3	0.0004%
Kaiser Permanente Insurance Company	2	0.0002%
Group Insurance Trust of the California Society of Certified Public Accountants (The)	1	0.0001%

**The Number, Type and Resolution of IMR Cases by Health Insurer**

<b>Insurance Company</b>	<b>Total IMR Cases</b>	<b>Experimental: Denial Overturned</b>	<b>Experimental: Denial Upheld</b>	<b>Medical Necessity: Denial Overturned</b>	<b>Medical Necessity: Denial Upheld</b>
Aetna Life Insurance Company	<b>115</b>	22	10	52	31
Anthem Blue Cross Life & Health Insurance Company	<b>32</b>	5	3	12	12
Cigna Health & Life Insurance Company	<b>31</b>	3	4	10	14
Health Net Life Insurance Company	<b>24</b>	0	0	18	6

<b>Insurance Company</b>	<b>Total IMR Cases</b>	<b>Experimental: Denial Overturned</b>	<b>Experimental: Denial Upheld</b>	<b>Medical Necessity: Denial Overturned</b>	<b>Medical Necessity: Denial Upheld</b>
Unitedhealth care Insurance Company	<b>6</b>	0	0	4	2
Nippon Life Insurance Company of America	<b>5</b>	0	0	5	0
Blue Shield of California Life & Health	<b>3</b>	0	0	0	3
Kaiser Permanente Insurance Company	<b>2</b>	0	0	2	0
Group Insurance Trust of the California Society of Certified Public Accountants (The)	<b>1</b>	1	0	0	0

**Health Care Provider Bill of Rights Report**

No complaints involving CIC Section 10133.65(f) were received for calendar year 2023.

**MARKET CONDUCT DIVISION**

MCD examines admitted insurance companies to evaluate their compliance with legal requirements and to initiate corrective or enforcement actions when necessary. These examinations are generally scheduled at regular fixed intervals. Scheduled re-examinations and targeted examinations supplement the routine examinations when special circumstances, or the results of market analysis of consumer complaints and other data, dictate more in-depth examination. Depending upon their size, complexity,

and nature, exams are either conducted in the insurers’ offices located nationwide or in-house at CDI’s offices, with insurers shipping materials and files to CDI staff.

Following operational adjustments made during the global COVID-19 pandemic, market conduct examination work primarily continued to be conducted remotely via telework during 2023.

Within MCD, FCB examines claim handling practices, and FRUB examines rating and underwriting practices. This division of oversight reflects the traditional division of operations in the industry and in the laws regulating them.

MCD also maintains the Market Analysis Unit which evaluates patterns in consumer complaints, enforcement actions, exam activity, and other data on a national basis to identify issues that may be of regulatory concern in California and to assist in the planning and scheduling of examinations.

The following is a summary of MCD’s accomplishments for the year 2023. The table displays exams completed, dollars returned to consumers, and legal actions taken as a result of MCD work. The column labeled “Div. Office” reflects multistate examination and enforcement activity done in cooperation with other states. This work is completed directly by MCD Division Office Staff and CDI Legal rather than being assigned to FCB or FRUB.

**MARKET CONDUCT DIVISION RESULTS**  
**Calendar Year 2023**

<b>RESULTS CATEGORY</b>	<b>BUREAU EXAMINATIONS (FRUB AND FCB)</b>	<b>DIV. OFFICE</b>	<b>MCD Totals</b>
Number of Exams Adopted by the Commissioner	89	0	89
Amount of Claims Dollars Recovered or Premium Returned to Consumers in Examinations and Enforcement Actions	\$3,515,753	\$49,824	\$3,565,577
Number of Enforcement Actions Completed on Examinations	0	0	0

RESULTS CATEGORY	BUREAU EXAMINATIONS (FRUB AND FCB)	DIV. OFFICE	MCD Totals
Penalties Assessed in Enforcement Actions Completed	\$0	\$0	\$0

**FIELD CLAIMS BUREAU**

FCB conducts market conduct examinations of the claim’s practices of all licensed California insurers. Each exam focuses on compliance with the California Insurance Code (CIC) and the California Fair Claims Settlement Practices regulations. FCB seeks to ensure equitable treatment of policyholders and claimants in accordance with insurance contracts and California law. The provisions of law cited in FCB examinations vary by line of insurance. However, those that are common across life, disability, and property and casualty insurance involve delay, incomplete documentation, and improper handling, which may include improper settlement, failure to pursue investigation, and improper denial. FCB obtains remedial claim actions from insurers as a result of the examinations it conducts. Many of the issues which lead to these actions are displayed in its reports which are published on CDI’s website.

**FIELD RATING AND UNDERWRITING BUREAU**

FRUB conducts market conduct examinations of the rating and underwriting practices of all licensed insurers, including reviews of the advertising, marketing, risk selection and declination, underwriting, pricing, and policy termination practices of life, health, property, and casualty insurers. FRUB examinations focus on compliance with rate and product filing requirements, consistency within the insurer’s adopted rating and underwriting processes, fairness and accuracy in marketing and communications to consumers, and overall conformity of rating and underwriting with the California law. FRUB obtains remedial actions from the insurers it examines in the form of revisions to incorrect and illegal practices and premium refunds to consumers when errors and violations resulting in premium overcharges are discovered.

**CIC § 12921.4(b)** – In accordance with CIC § 12921.4(b), the Market Analysis Unit reviewed the complaint data of each insurance carrier that was authorized to transact business in California during 2023. The analysis of complaint data focused on the following areas: insurer, insurance line of business, and type of violation. In addition to raw numbers of complaints, the analysis includes the development of a complaint index for each insurer, calculated as the insurer’s complaint share divided by its market share. This allows for the comparison of results among insurers of differing sizes.



Complaint totals are among the primary criteria driving the MCD's examination schedule. The 10 insurers with the largest number of closed complaints in 2023 (ranging from 821 for the tenth-ranked company to 1,565 for the company ranked first) have all been examined within the last three years or are scheduled to be examined in the next two years (seven are in progress and three are on the upcoming examination schedule). One of the 10 companies with the most closed complaints have been the subjects of enforcement action within the last five years or are pending enforcement action.

Complaints by line of business remain an important criterion for focusing on MCD examination resources. The five lines of business generating the highest number of complaints were:

- Private passenger auto - 15,923
- Homeowners - 7,045
- Home warranty (Warranty Contract) - 2,202
- Group accident and health - 1,376
- Individual accident and health – 976

These lines were among the most frequently examined by the Division's FCB and FRUB during 2023. Within each line of business, MCD also prioritizes those insurers with the most complaints. All insurers in the top 10 of complaints in each line have been examined in the last three years or are scheduled to be examined in the next two years.

An analysis of complaints sorted by type of violation is completed for each examination initiated for the MCD's bureaus. The results of this analysis allow the examiners in charge to identify areas that should be scrutinized more closely. Whenever a trend or pattern in violation data is observed, the information is shared with those Department employees that have a use or need for the data.

A geographic analysis, established by ZIP Code, of consumer complaints was conducted for the year 2023. Complaints within those geographic regions identified as having high concentrations of complaints relative to the region's population will be the subject of further analysis in 2024.

2023 ANNUAL REPORT  
**ENFORCEMENT BRANCH**

## **ENFORCEMENT BRANCH**

### **STATUTORY REPORTING REQUIREMENTS**

Pursuant to Sections 1872.9, 1872.96 and 1874.8 of the California Insurance Code (CIC) and consistent with reporting protocols of the California Department of Insurance, the Enforcement Branch provides information relating to: a) the specific duties of each of its divisions; b) program oversight and expenditures; and c) specific activities for fiscal year 2022-23.

- Section One: Enforcement Branch Overview and Organization
- Section Two: Investigation Division
- Section Three: Fraud Division
- Section Four: Workers' Compensation Insurance Fraud Program
- Section Five: Appendices

## **SECTION ONE: ENFORCEMENT BRANCH OVERVIEW**

The mission of California Department of Insurance Enforcement Branch is:

“To protect the public from economic loss and distress by actively investigating, arresting, and referring, for prosecution or other adjudication, those who commit insurance fraud and other violations of law; to reduce the overall incidence of insurance fraud and consumer abuse through anti-fraud outreach and training to the public, private, and governmental sectors.”

To accomplish its mission, the Enforcement Branch investigates criminal and regulatory violations relating to insurance transactions from point-of-sale through the claims process.

The Enforcement Branch is composed of two divisions: Fraud Division and Investigation Division. In addition to investigating criminal and regulatory violations, the Enforcement Branch administers five grant programs that provide funding to county district attorney offices to assist with their efforts to investigate and prosecute insurance fraud. The Fraud Division administers four of the five grant programs: Automobile Insurance Fraud, Organized Automobile Fraud Activity Interdiction, Disability and Healthcare Fraud, and Workers’ Compensation Insurance Fraud. The Investigation Division administers the Life and Annuity Consumer Protection Program.

The Branch also provides outreach, education, and is a liaison to public agencies involved in combating insurance fraud.

### **BRANCH ORGANIZATION**

**Branch Management Team** – The Enforcement Branch management team consists of the Deputy Commissioner, two Division Chiefs (Investigation and Fraud Divisions), three Assistant Chiefs (Chief Fraud Bureau), one Captain (Supervising Fraud Investigator II), one Support and Compliance Chief (Staff Services Manager III), and an Administrative Assistant.

**Branch Headquarters** – The Support and Compliance Chief is responsible for the management of the Branch Headquarters Office that supports the Enforcement Branch Deputy Commissioner and the Fraud and Investigation Divisions’ regional offices. This position works closely with other units within the department, most notably the Human Resources Management Division, Budget and Revenue Management Bureau, Accounting Services Bureau, Information Technology Division, and Business Management Bureau. The Support and Compliance Chief reports to the Deputy Commissioner.

Five units within Enforcement Branch Headquarters perform the following activities in support of the nine Regional Offices throughout the state:

- Admin Services
- Business Services
- Reporting Services
- Resource Services
- Fraud Grant Audit Program
- Special Investigative Unit (SIU) Compliance Program

**Professional Standards Unit (PSU)** – The PSU Captain coordinates all investigations and supervises a team of two Detective Sergeants (Supervising Fraud Investigator I), one Associate Governmental Program Analyst, one Staff Services Analyst and eight retired annuitants. The PSU is responsible for conducting complex and sensitive investigations and research related to internal affairs investigations and citizens' complaints for the Enforcement Branch according to departmental policies, procedures, and applicable laws, rules and regulations. The PSU performs all pre-employment background investigations. The Captain reports to the Division Chief, Fraud Division.

**Grant Programs/Training Unit** - The Assistant Chief, Grant Programs/Training Unit, oversees the administration of the four insurance Fraud Programs:

- Automobile Insurance Fraud
- Organized Automobile
- Disability and Healthcare Fraud
- Workers' Compensation Fraud

In addition, the Assistant Chief oversees the activities of the Local Assistance Unit, Branch Training Unit, and Computer Forensics Team. The Assistant Chief reports to the Division Chief, Fraud Division.

**Computer Forensic Team (CFT)** – A Detective Sergeant (Supervising Fraud Investigator I) coordinates the tasks of the Computer Forensic Team that supports statewide investigative efforts through technical expert forensic examinations of computer data seized during investigations. The CFT Detective Sergeant reports to the Assistant Chief, Grant Programs/Training Unit.

**Local Assistance Unit (LAU)** – A Staff Services Manager I oversees the operations of the LAU staff that supports activities related to the Insurance Fraud Grant Programs for Automobile, Organized Automobile, Disability and Healthcare, Workers’ Compensation, Life and Annuity Consumer Protection, and any newly established grant program(s) created by legislation or received via a qui tam settlement. The Staff Services Manager I reports to the Assistant Chief, Grant Programs/Training Unit.

**Branch Training** – A Captain (Supervising Fraud Investigator II) oversees all Enforcement Branch training. The Captain reports to the Assistant Chief, Grant Programs/Training Unit.

Three units within Enforcement Branch Training perform the following activities in support of the Enforcement Branch:

- Enforcement Tactics Training Unit (ETTU)
- Training Unit
- Field Training Officer Program

### **Anti-Fraud Outreach**

One component of the Enforcement Branch’s mission statement is to provide anti-fraud outreach and training to the public, private, and governmental sectors. The Branch provides a wide array of public awareness through liaison and educational materials. The department’s overall goal is to advance communications that will help consumers understand insurance fraud and create stronger deterrence through public awareness.

The following are examples of outreach activities:

- Internet – The CDI Internet public website addresses several topics including: “What is Insurance Fraud?” and “Reporting Fraud.” The website provides Insurance Fraud reporting forms, identifies statewide Enforcement Branch Regional Offices, and reports Workers’ Compensation insurance fraud convictions. Relevant press releases are posted as arrests and convictions occur and are placed on the Special Investigative Unit – E-Blast page.
- Workers’ Compensation Fraud – In staying consistent with the requirements of CIC Section 1871.9, the department posts fraud convictions on its website for five years from the date of conviction or until it is notified in writing that the conviction has been reversed or expunged.
- Community Forums – The Enforcement Branch participates in community-sponsored events, such as town hall meetings, public hearings, and underground economy seminars. These forums give the Branch opportunities

- to hear directly from consumers regarding their insurance concerns, and also to provide information that communities may find useful to protect themselves from insurance fraud.
- **Media/Public Service Announcements** – The Enforcement Branch participates with local, state, and national broadcasting outlets to educate the public about insurance fraud in California. The Branch’s accomplishments are highlighted so the public is aware of insurance fraud arrests, prosecutions, and convictions throughout the state. Significant cases are taken to the media to increase public awareness of Branch activities and collaboration with other allied law enforcement agencies to investigate and prosecute insurance fraud, which helps deter fraudulent endeavors.
  - **Industry Liaison** – The Enforcement Branch maintains ongoing liaison with the insurance industry by interacting with a variety of organizations including, but not limited to: The International Association of Special Investigation Units, Coalition Against Insurance Fraud, Workers’ Compensation Advisory Committee, Insurance Fraud Advisory Board, National Insurance Crime Bureau Regional Advisory Committee, Health Fraud Task Force, Underground Economy Task Forces, California Coalition on Workers’ Compensation, California Workers’ Compensation Institute, various trade associations which represent insurance companies and insurance agents, company specific fraud referral trainings conducted by the Fraud Division Special Investigative Unit Compliance Review Program and Fraud Division sworn peace officers, the Anti-Fraud Alliance, and the Southern California Fraud Investigators’ Association.
  - **Governmental Liaison** – The Enforcement Branch maintains routine liaison with the following state agencies or entities on matters of overlapping jurisdiction or mutual concern: California Peace Officers Association, California Peace Officer Standards and Training, Instructor Standards Counsel, California Highway Patrol, Employment Development Department, Department of Industrial Relations–Division of Workers’ Compensation and Division of Labor Standards Enforcement, Department of Consumer Affairs, Bureau of Automotive Repair, California Contractors State License Board, the Cemetery and Funeral Bureau, Department of Justice, Department of Corporations, Franchise Tax Board, California Board of Chiropractic Examiners, California District Attorneys Association, National Association of Insurance Commissioners, Statewide Vehicle Task Force, Department of Corrections and Rehabilitation, Department of Alcoholic Beverage Control, and Regional Auto Theft Task Forces.
  - **Grant Workshops for County District Attorney’s Offices** – Statewide workshops for district attorney personnel who participate in the Insurance Fraud Grant Programs are provided by the Local Assistance Unit. The

Enforcement Branch Fraud Grant Audit Program participates in the grant workshops when requested. The workshops are designed for the staff responsible for completing the insurance anti-fraud grant application(s), complying with the Program's data collection and statistical reporting requirements, and overseeing the administrative requirements after funding is awarded. The attendees consist of a mix of deputy district attorneys, investigators, fiscal officers, and grant support staff. Furthermore, the Local Assistance Unit reaches out to participating district attorneys' offices to provide training to facilitate the success of their anti-fraud program(s) and answer their program questions.

## **SECTION TWO: INVESTIGATION DIVISION**

The mission of the Investigation Division is:

“To protect California consumers by investigating suspected violations of laws and regulations pertaining to the business of insurance and seeking appropriate enforcement actions against violators.”

Effective enforcement of the insurance laws help to safeguard consumers and insurers from economic loss and eliminate unethical conduct and criminal abuse in the insurance industry.

The Investigation Division is charged with enforcing applicable provisions of the CIC under authority granted by Section 12921, and to refer crimes to appropriate prosecuting authorities pursuant to CIC Sections 12928 and 12930. The Division pursues prosecution of offenders through both regulatory and criminal justice systems.

The Insurance Commissioner's priorities emphasize investigation and prosecution in the following areas:

- Premium theft
- Senior citizen abuses
- Health insurance violations
- Unauthorized insurers and insurance transactions
- Deceptive sales and marketing practices
- Title insurance rebates
- Public adjuster violations
- Abusive acts committed by auto insurance agents and companies
- Illegal bail practices

In addition to these violations, the Division investigates other complaints and alleged violations of laws relating to the transaction of insurance prohibited by the CIC, California Business and Professions Code, California Code of Regulations, California Penal Code, and Title 18 of the United States Code. The Division utilizes a new mail and case



tracking system called Investigation Division Case Management (IDCM). IDCM keeps a record of the development of each case from the receipt of complaint against a suspected violator through investigation and disposition.

**Budget and Staffing**

During the fiscal year 2022-23, the Investigation Division’s expenditures totaled \$11,048,561.49 in support of 98 authorized positions.

**Investigation Division Administration and Operations**

The Investigation Division’s seven regional offices (Sacramento, Benicia, Inland Empire, Orange, Valencia, Los Angeles, San Diego) serve 58 counties in California.

**TABLE A: DIVISION WIDE INVESTIGATIONS  
Fiscal Year 2022-23**

<b>Description</b>	<b>Count</b>
Complaints and General Correspondence Received	1334
New cases opened (Includes subjects identified in fiscal year 2021-2022 for cases opened prior to July 1, 2021)	890
Additional Complaints-Consolidated with Existing Cases	523
Cases Closed	711
Investigations in Progress as of June 30, 2022:	
Criminal Cases	637
Regulatory /Administrative Cases	454
Total	1091
Reports of Suspected Violation as of June 30, 2022: - <i>(Any initial allegation that is found sufficient to warrant an investigation but which has not yet been assigned to an investigator. It is intended to represent matters that are potential future investigations.)</i>	
Criminal Cases	127
Regulatory /Administrative Cases	158
Total	285
Chargeable Fraud	\$3,138,905

Description	Count
Complaints and General Correspondence Received	1334
Ordered Restitution	\$1,476,752
Investigative Cost Recoveries	\$188,171
Fines and Penalties	\$108,984

**TABLE B: CRIMINAL PROSECUTION CASES  
Fiscal Year 2022-23**

Description	Count
Subjects Referred to Prosecutors	97
Total Subjects Prosecuted	49
Search Warrants Obtained	147
Arrest Warrants Obtained	23
Arrested	14
Convictions	43

**TABLE C: REGULATORY PROSECUTION CASES  
Fiscal Year 2022-23**

Description	Count
Subjects referred to legal	219

### Investigation Division Funding

Most investigations conducted by the Division are supported by revenues generated from fees and licenses charged to the insurance industry. Investigations related to automobile insurance and the Life and Annuity Consumer Protection Program are partially funded by special assessments.

### Investigations Related to Automobile Insurance

CIC Section 1872.81 requires each insurer doing business in California to pay to the Insurance Commissioner an annual special purpose assessment of 26 cents for each insured vehicle it covers in the state. The purpose of the fee is to maintain and improve consumer service functions related to automobile insurance.

**TABLE D: AUTO INSURANCE INVESTIGATIONS  
Fiscal Year 2022-23**

(This data is included in the overall Division case information shown on Table A of this report.)

Description	Count
New Cases Opened (Includes subjects identified in fiscal year 2021-2022 for cases opened prior to July 1, 2021)	227
Cases Closed	179
Investigations in progress as of June 30, 2022	220
Reports of Suspected Violation as of June 30, 2022	94

**Efforts to Reduce Producer Fraud**

The following additional strategies were implemented to reduce agent and broker fraud:

- The continuance of quality control measures at the regional level to ensure compliance with Division policies designed to improve efficiency and increase productivity.
- Deployed investigators as part of the Disaster Assistance Response Team (DART) to work in conjunction with other CDI divisions and allied agencies to proactively respond to disasters or other emergencies statewide affecting enforcement operations.
- Continued enhancements to the Investigation Division Database to better identify suspects of investigations, economic impact information, and patterns of non-compliance by individuals and entities involved in the transaction of insurance.
- Provided Life and Annuity Consumer Protection Program (LACPP) training to county district attorney prosecutors, local law enforcement agencies, and consumer groups.
- Ongoing development of legislative proposals to strengthen laws governing the transaction of insurance and the enforcement of those laws.
- Ongoing outreach to industry associations, consumer groups, and allied law enforcement agencies.

## **SECTION THREE: FRAUD DIVISION**

The mission of the Fraud Division is:

*“To protect the public and prevent economic loss through the detection, investigation, and arrest of insurance fraud offenders.”*

The CDI Fraud Division’s role and responsibilities are outlined in Division 1, Part 2 Chapter 12 of the CIC, “The Insurance Frauds Prevention Act.” The Division also ensures that Penal Code Section 550 is enforced throughout the State of California.

The Fraud Division oversees the following four fraud programs: (1) Automobile Insurance Fraud Program, (2) Organized Automobile Fraud Activity Interdiction Program, (3) Disability and Healthcare Fraud Program, and (4) Workers’ Compensation Insurance Fraud Program.

### **Fraud Division Administration and Operations**

The Fraud Division’s nine regional offices serve 58 counties in California. The Enforcement Branch Headquarters (EBHQ) office administratively supports all Fraud Division regional office operations, including those activities related to the management of the statewide insurance fraud grant programs. EBHQ provides centralized administrative support for investigations in the Automobile, Organized Automobile Fraud Interdiction Program, Workers’ Compensation, Disability and Healthcare, Property and Casualty Fraud Programs, and any newly established grant program(s) created by legislation or received via a qui tam.

### **Automobile Insurance Fraud Program**

The Fraud Division is the primary law enforcement agency responsible for investigating automobile insurance fraud crimes and it coordinates enforcement operations with municipal, state, and federal enforcement agencies throughout California. Completed investigations are filed with the local district attorney or the United States Attorney General’s Office.

During fiscal year 2022-23, the Fraud Division received 12,266 suspected fraudulent claims (SFCs), assigned 505 new cases, made 235 arrests, and referred 352 submissions to prosecuting authorities. The potential loss amounted to \$155,739,477.

### **District Attorneys’ Automobile Insurance Fraud Program**

During fiscal year 2022-23, 34 counties received funding totaling \$16,337,665 through the department’s Auto Insurance Grant Program. The financial support provided to each county is based on county population, the number of Suspected Fraudulent Claims (SFCs) reported, and the Insurance Commissioner’s evaluation of the county’s historical performance and plan description.

For fiscal year 2022-23, California district attorneys reported 2009 investigations and made 492 arrests. This number includes some of the Fraud Division’s enforcement

actions and local law enforcement investigations. District attorneys prosecuted 1,109 cases involving 1,191 defendants with chargeable fraud totaling \$13,876,837 which resulted in 425 convictions and \$1,147,781 in restitution ordered by the courts.

### **Organized Automobile Fraud Activity Interdiction Program**

The primary focus of the program is organized criminal activity that occurs in urban areas and which often involves the staging of collisions and filing accident or damage claims.

During fiscal year 2022-23, the Fraud Division assigned 118 new cases and made 91 arrests and 135 referrals to prosecuting authorities. Potential loss amounted to \$10,903,034.

### **District Attorneys' Organized Automobile Fraud Activity Interdiction Program**

During fiscal year 2022-23, 8 counties received funding totaling \$7,624,000. The California district attorneys reported 155 investigations and 75 arrests, including some of the Fraud Division arrests. The district attorneys prosecuted 174 cases involving 432 defendants with chargeable fraud totaling \$25,313,998 which resulted in 82 convictions and \$860,340 of restitution ordered.

### **Disability and Healthcare Insurance Fraud Program**

Health insurance fraud is a significant problem for health insurance policyholders, because it drains resources out of the system causing otherwise unnecessary premium increases. This program area includes suspected fraudulent claims involving: claimant disability other than workers' compensation, dental claims, billing fraud schemes, immunization fraud, unlawful solicitation, durable medical equipment, and posing as another to obtain benefits.

During fiscal year 2022-23, the Fraud Division identified and reviewed 675 SFCs, assigned 50 new cases, and made 24 arrests and 50 referrals to prosecuting authorities. Potential loss amounted to \$109,808,342.

### **District Attorneys' Disability and Healthcare Insurance Fraud Program**

In fiscal year 2022-23, 10 counties received funding totaling \$5,800,000 through the department's Disability and Healthcare Insurance Fraud Grant Program. The district attorneys reported 211 investigations and 37 arrests, which includes some of the Fraud Division arrests. District attorneys prosecuted 104 cases involving 186 defendants with chargeable fraud totaling \$926,875,420 which resulted in 45 convictions and \$12,007,181 in restitution ordered by the courts.

### **Workers' Compensation Insurance Fraud Program**

Workers' compensation insurance fraud occurs in simple and complex schemes that often require difficult and lengthy investigations. Employees may exaggerate or even fabricate injuries. At the other end of the spectrum, white-collar criminals, including doctors and lawyers, entice, pay, and conspire with others to defraud the system by

creating false or exaggerated claims, over treating, and over prescribing harmful and addictive drugs. Insurance companies “pick up the tab,” passing the cost onto policyholders, taxpayers, and the general public.

Funding for the program comes from California employers who are legally required to be insured or self-insured. The total aggregate assessment for fiscal year 2022-23 was \$85,700,386.

During fiscal year 2022-23, the Fraud Division identified and reported 2,846 suspected fraud cases (SFCs), assigned 597 new cases, made 164 arrests and referred 257 cases to prosecuting authorities. Potential loss amounted to \$404,424,635.

### **District Attorneys’ Workers’ Compensation Insurance Fraud Program**

In fiscal year 2022-23, 35 counties received funding totaling \$51,246,880. The district attorneys reported 1,512 investigations and 341 arrests, which includes some of the Fraud Division arrests. During the same time frame, district attorneys prosecuted 1,142 cases with 1,294 defendants resulting in 242 convictions. Restitution of \$38,652,228 was ordered in connection with these convictions and \$22,182,466 was collected. The total chargeable fraud was \$1,540,586,583 representing only a small portion of actual fraud since many fraudulent activities remain to be identified or investigated.

### **Property, Life and Casualty Fraud Program**

The Property, Life and Casualty Fraud Program accounts for approximately five percent of the Fraud Division's allocated budgetary resources. The funding stream for this program is generated by an assessment for each certificate of authority in California. These funds are non-restrictive and can be used to support all other Fraud Division program areas if needed. There is no local assistance component to this program.

During fiscal year 2022-23, the Fraud Division identified and reported 4,094 SFCs, assigned 73 new cases, made 29 arrests and referred 39 submissions to prosecuting authorities. Potential loss amounted to \$318,284,399.

### **Enhanced Fraud Investigation and Prevention**

CDI has successfully litigated anti-fraud cases resulting in settlement payments which statute indicates upon appropriation shall be used by CDI for enhanced investigation and prevention efforts. CDI has received an appropriation for each of the fiscal years 2020-2021, 2021-2022, and 2022-2023.

During fiscal year 2022-23, the Fraud Division spent approximately 22,500 investigative hours working 187 cases.

**Budget and Staffing**

**TABLE I:  
FRAUD DIVISION BUDGETED/EXPENDITURES BY PROGRAM  
AND FISCAL YEAR STAFFING LEVEL**  
*(Includes all authorized Program 20 positions)*  
**Fiscal Year 2022-23**

<b>Budgeted/Expenditures</b>	<b>Amount</b>
Fraud Budgeted Levels	\$132,189,302
Fraud Actual Expenditures	\$130,791,243

<b>Program</b>	<b>Amount</b>
Insurance Fraud Assessment, Auto:	
District Attorneys' Auto Distribution	\$23,961,665
State Operations Auto Expenditures	\$15,947,362
Insurance Fraud Assessment, Workers' Compensation:	
District Attorneys' Workers' Compensation Distribution	\$51,246,880
State Operations Workers' Compensation Expenditures	\$25,825,180
Insurance Fraud Assessment, Disability and Healthcare	
District Attorneys' Disability and Healthcare Distribution	\$5,800,000
State Operations Disability and Healthcare Expenditures	\$2,607,234
Insurance Fraud Assessment, General:	
State Operations General Assessment Expenditures	\$2,260,163
General Fund, Enhanced Fraud and Prevention	
State Operations, Enhanced Fraud and Prevention Expenditures	\$3,132,408

## **Suspected Fraudulent Claims Reporting**

The primary source of leads for investigations initiated by the Fraud Division is the Suspected Fraudulent Claim (SFC). A suspected fraud referral can be as simple as a telephone call from a citizen or as complex as a “documented referral” with supporting evidence submitted by an insurance carrier. SFCs are received by CDI from various sources, including insurance carriers, informants, witnesses, law enforcement agencies, fraud investigators, and the public.

The vast majority of SFCs are generated by the insurance industry. The standards for referring an SFC are required by the Insurance Code when the carrier “believes” or has “reason to believe” or “has reason to suspect” that insurance fraud has occurred. Because of the different standards for reporting, not all SFCs result in criminal conviction.

All referrals submitted to the Fraud Division, regardless of the reporting party and supporting evidentiary information, are assigned a case tracking number, and placed in the Case Record Information Management System (CRIMS). The referrals are then forwarded to supervisors in the regional office with jurisdiction over the allegations. The supervisors use standard criteria when determining case assignments in the various fraud programs, including:

- Public safety
- Consideration of the Insurance Commissioner’s strategic initiatives
- The quality of the evidence presented
- The priority level of the suspected fraud referral
- The availability of investigative resources
- The jurisdiction for prosecution, especially if the district attorney is receiving grant funds
- If the arrest and conviction of suspects would make an impact on the problem within the county and/or state
- Case assignments may not be made if allegations are abuse rather than fraud, the statute of limitations has expired, or a discussion with a district attorney regarding facts of the SFC result in rejection of the referral or the case being referred to another agency.

According to Fraud Division data, the quality of SFCs continues to improve each fiscal year. Several reasons for this trend include:

- The extensive efforts to provide training to insurance claim examiners and SIU personnel by the Fraud Division.



- Current SIU regulations that help insurance carriers step up their anti-fraud efforts and become more effective in identifying, investigating, and reporting workers' compensation fraud.
- The Fraud Division and district attorneys' aggressive outreach programs.

**An Estimate of the Economic Value of Insurance Fraud by Type of Insurance Fraud**

The following chart monetizes fraud reported to the Fraud Division and extracted from the Case Record Information Management System (CRIMS).

**TABLE O: ECONOMIC VALUE OF FRAUD REPORTED BY TYPE  
Fiscal Year 2022-23**

<b>Insurance Type</b>	<b>Amount Paid – (Amount paid on claim to date)</b>	<b>Suspected Fraudulent Loss – (Amount paid that is suspected as being fraudulently claimed)</b>	<b>Potential Loss – (Amount of loss or exposure if fraud had gone undiscovered)</b>
Automobile	\$ 33,826,016	\$ 71,738,504	\$ 155,739,477
Organized Automobile Fraud Activity Interdiction	\$ 586,335	\$ 3,142,248	\$ 10,903,034
Disability and Healthcare	\$ 178,489,463	\$ 143,563,528	\$ 109,808,342
Enhanced Fraud Investigation and Prevention	\$ 0	\$ 0	\$ 0
Property Casualty	\$ 279,336,514	\$ 124,015,718	\$ 318,284,399
Workers' Compensation	\$ 60,110,041	\$ 80,432,985	\$ 404,424,635
<b>Totals</b>	<b>\$ 552,348,368</b>	<b>\$ 422,892,983</b>	<b>\$ 999,159,854</b>

**TABLE P:  
SUMMARY OF THE TOTAL AMOUNT OF COURT-ORDERED RESTITUTION  
AND THE AMOUNT OF RESTITUTION COLLECTED  
PURSUANT TO CIC §1872.86(b) (7)**

<b>Fraud Program</b>	<b>Restitution Ordered</b>	<b>Restitution Collected</b>
Automobile	<b>\$ 1,147,781</b>	<b>\$ 576,960</b>
Organized Automobile Fraud Activity Interdiction	<b>\$ 860,340</b>	<b>\$ 450,452</b>
Disability and Healthcare	<b>\$ 12,007,181</b>	<b>\$ 12,629,158</b>
Workers' Compensation	<b>\$ 38,652,228</b>	<b>\$ 22,182,466</b>

**SECTION FOUR: WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM**

The Workers' Compensation Fraud Program is the largest of five statewide anti-fraud programs under the administration and the investigative arm of the Fraud Division.

**Distribution of Workers' Compensation Program Hours**

For fiscal year 2022-23, investigative staff spent 53.47% of program hours on case and direct program support. Time recorded as indirect hours equaled 33.58% and time off was recorded as 12.95%.

The Division spent 51.99% of its time directly on the Workers' Compensation Program, while the remaining 48.01% was distributed throughout the other insurance fraud programs. In addition to investigative activities, the Fraud Division is responsible for the administration and oversight of the program, which includes:

- Local Assistance grant management
- SIU compliance audits
- District attorney insurance fraud grant program audits
- Legislative statistical and analytical reporting
- Research
- Legal services (public request acts, opinions, qui tams, rulemaking, etc.)
- Legislation support and analysis

- Budget monitoring and proposals
- Property Control/Evidence Management
- Fraud Assessment Commission support

**TABLE Q: WORKERS' COMPENSATION CASELOAD  
Fiscal Year 2022-23**

FRAUD TYPE	TOTAL CASELOAD
CLAIMANT FRAUD	607
UNDERREPORTED WAGES	269
OTHER WORKERS' COMP	97
UNINSURED EMPLOYER	200
MEDICAL PROVIDER	74
MISCLASSIFICATION	26
X-MOD EVASION	14
EMPLOYER DEFRAUDING EMPLOYEE	20
LEGAL PROVIDER	16
EMBEZZLEMENT	4
PHARMACY	1
TOTAL	1,328

### **Underground Economy**

Underground economy is a term that refers to those individuals and businesses that deal with cash and/or use other schemes to conceal their activities and their true tax liability from government licensing, regulatory, and taxing agencies. Underground economy is also referred to as tax evasion, tax fraud, cash pay, tax gap, payments under-the-table, and off the books.

### **Joint Enforcement Strike Force (JESF)**

JESF is responsible for enhancing the development and sharing of information necessary to combat the underground economy, to improve the coordination of enforcement activities, and to develop methods to pool, focus, and target enforcement resources. JESF is empowered and authorized to form joint enforcement teams when appropriate to utilize the collective investigative and enforcement capabilities of the JESF members.

In addition to the Employment Development Department (EDD), Strike Force members include CDI, Department of Consumer Affairs, Department of Industrial Relations, Franchise Tax Board, Board of Equalization, and Department of Justice.

### **Labor Enforcement Task Force (LETF)**

LETF objectives include expanding outreach and education, fostering interagency collaboration, and increasing engagement with community partners.

Agency partners include CDI, Labor & Workforce Development Agency, Department of Industrial Relations, including Division of Labor Standards Enforcement and Division of Occupational Safety and Health (Cal/DOSH), EDD, Contractors State License Board, Board of Equalization, Bureau of Automotive Repair, Alcoholic Beverage Control, State Attorney General, and district attorneys throughout California.

### **Uninsured Employers Compliance Sweeps**

Willfully Uninsured investigations are successful when approached from a team and joint resource perspective. As mentioned above, Fraud Division detectives participate with JESF and LETF partners to combat this activity. The Fraud Division also actively participates with Contractors State License Board sting operations after fire disasters and other natural disasters to combat the underground economy.

### **Insurance Premium Fraud**

Premium Fraud investigations are coordinated regionally as formal or informal task force teams. They include Fraud Division detectives and forensic auditors, district attorney investigators, and prosecutors. The Franchise Tax Board has assigned Special Agents to each of the four CDI Enforcement Branch Regional Offices in Northern California and two Enforcement Branch Regional Offices in Southern California have both Franchise Tax Board and EDD agents and investigators assigned. This strategic and coordinated team approach has led to the successful and timely completion of many Premium Fraud investigations. Case successes will be presented later in this document.

**Budget and Staffing**

**TABLE R: WORKERS' COMPENSATION FRAUD  
PROGRAM STAFFING/BUDGET  
Fiscal Year 2022-23  
Personnel Years (PY)**

<b>Staffing</b>	
Workers' Compensation Fraud Program Positions	144.5
Fraud Workers' Compensation Assessment – <i>(Reflects the FY 2021-22 Fraud Assessment Commission adopted Aggregate Assessment amount)</i>	\$85,700,386
<b>Budget</b>	
	<b>Amount</b>
Total Fraud Budgeted Levels	\$73,358,390
Total Fraud Actual Expenditures	\$77,072,060
District Attorneys' Workers' Compensation Distribution	\$ 51,246,880
Local Assistance Workers' Compensation Budget	\$50,545,239
State Operations – Workers' Compensation Expenditures	\$25,825,180
Personnel Services	\$23,841,784
Operating Expenses & Equipment (OE&E)	\$1,983,396

**SECTION FIVE: WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM APPENDICES**

Appendix One: Workers' Compensation Insurance Fraud Program  
Insurance Commissioner's Grant Funding Recommendations  
Fiscal Year 2022-23

Appendix Two: Workers' Compensation Insurance Fraud Program  
Reported Suspected Fraudulent Claims (SFC's)  
Calendar Years 2021, 2022 and 2023

Appendix Three: Workers' Compensation Insurance Fraud Program  
District Attorney Convictions  
Fiscal Year 2022-23

**Appendix One**  
**Workers' Compensation Insurance Fraud Program**  
**Insurance Commissioner's Grant Funding Recommendations – Fiscal Year**  
**2022-23**

County	Fiscal Year 2021-22 Grant Awarded	Fiscal Year 2022-23 Amount Requested	Fiscal Year 2022-23 Grant Awarded
Alameda	\$2,249,675	\$2,512,584	\$2,363,331
Amador	\$522,608	\$522,373	\$522,373
Butte	\$80,383	\$0 <sup>2</sup>	\$0 <sup>2</sup>
Contra Costa	\$1,188,522	\$1,439,451	\$1,239,181
El Dorado	\$446,871	\$453,381	\$453,381
Fresno	\$1,348,743	\$1,357,510	\$1,357,510
Humboldt	\$229,035	\$318,942	\$276,827 <sup>3</sup>
Imperial	\$78,933	\$56,586	\$56,586
Kern	\$1,160,063	\$962,688	\$962,688
Kings	\$256,784	\$256,784	\$256,784
Los Angeles	\$9,471,822	\$10,741,910	\$9,942,799
Marin	\$347,293	\$476,563	\$390,014
Merced	\$227,296	\$306,406	\$262,160
Monterey	\$870,680	\$960,546	\$925,382
Napa	\$177,462	\$221,439	\$204,515
Nevada	\$96,720	\$98,840	\$98,840
Orange	\$6,573,661	\$7,436,267	\$7,129,237
Riverside	\$3,075,606	\$3,295,825	\$3,295,825
Sacramento	\$1,297,977	\$1,418,063	\$1,371,721
San Bernardino	\$2,619,236	\$2,925,819	\$2,797,328
San Diego	\$6,592,634	\$7,120,125	\$7,109,587
San Francisco	\$969,873	\$1,386,496	\$1,024,651
San Joaquin	\$500,000	\$546,277	\$546,277

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San Luis Obispo	\$143,399	\$76,908	\$76,908
San Mateo	\$909,984	\$980,224	\$965,975
Santa Barbara	\$303,671	\$462,489	\$310,948
Santa Clara	\$3,625,380	\$4,423,560	\$3,924,680
Santa Cruz	\$210,860	\$233,064	\$225,202
Shasta	\$199,480	\$204,395	\$204,395
Siskiyou	\$109,939	\$203,806	\$119,626
Solano	\$243,004	\$270,677	\$270,677
Sonoma	\$295,457	\$341,420	\$324,724
Tehama	\$196,419 <sup>1</sup>	\$210,604	\$210,604
Tulare	\$583,371	\$673,725	\$670,392
Ventura	\$902,411	\$1,126,948	\$977,644
Yolo	\$337,260	\$415,798	\$378,108
<b>Totals</b>	<b>\$48,442,512</b>	<b>\$54,438,493</b>	<b>\$51,246,880</b>

<sup>1</sup> Tehama County declined FY 2021-22 Additional Award of \$10,859.

<sup>2</sup> Butte County withdrew from the Workers' Compensation Program in FY 2022-23.

<sup>3</sup> Humboldt County declined FY 2022-23 Additional Award of \$4,359.

**Appendix Two**  
**Workers' Compensation Insurance Fraud Program**  
**Reported Suspected Fraudulent Claims (SFCs)**  
 Calendar Years 2021, 2022 and 2023

County	2021	2022	2023
ALAMEDA	119	63	92
AMADOR	1	0	1
BUTTE	5	9	7
CA STATE ATTY GEN	3	3	2
CALAVERAS	2	2	0
COLUSA	1	2	1
CONTRA COSTA	50	54	45
DEL NORTE	0	1	2
EL DORADO	6	9	11
FRESNO	81	70	50
GLENN	3	4	1
HUMBOLDT	6	4	3
IMPERIAL	15	5	9
INYO	1	0	1
KERN	45	40	58
KINGS	9	12	8
LAKE	7	5	0
LASSEN	1	1	3
LOS ANGELES	1109	1026	1121
MADERA	9	7	7
MARIN	22	13	5
MARIPOSA	1	1	0
MENDOCINO	2	3	3
MERCED	21	11	19
MONO	0	0	1
MONTEREY	29	50	37
NAPA	24	24	17
NEVADA	1	4	5
ORANGE	345	312	282
PLACER	22	13	22
PLUMAS	0	1	1
RIVERSIDE	168	159	167
SACRAMENTO	56	67	92
SAN BENITO	3	2	1



Enforcement Branch

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SAN BERNARDINO	190	206	165
SAN DIEGO	188	192	165
SAN FRANCISCO	60	48	52
SAN JOAQUIN	31	36	31
SAN LUIS OBISPO	9	16	12
SAN MATEO	40	34	39
SANTA BARBARA	35	38	36
SANTA CLARA	101	81	95
SANTA CRUZ	20	25	4
SHASTA	4	6	11
SIERRA	0	0	0
SISKIYOU	1	2	1
SOLANO	30	15	28
SONOMA	22	33	21
STANISLAUS	23	23	32
SUTTER	3	3	6
TEHAMA	2	0	2
TRINITY	0	0	0
TULARE	30	31	33
TUOLUMNE	1	4	1
US ATTY NORTH CA	0	0	0
VENTURA	84	83	79
YOLO	10	7	12
YUBA	3	1	2
<b>TOTALS</b>	<b>3055</b>	<b>2851</b>	<b>2901</b>

**Appendix Three  
Workers' Compensation Insurance Fraud Program  
District Attorney Convictions – Fiscal Year 2022-23**

<b>SUBJECT NAME</b>	<b>SENTENCE</b>	<b>ASSETS FROZEN</b>	<b>RESTITUTION</b>	<b>CRIMINAL FINE</b>
Esquivelarevalo, Dulce	2 day(s) jail; 24 month(s) probation; 4 way search, no weapons, PC 296, Stay away order	\$0	\$8,344	\$0
Faqirzada, Ahmad	2 day(s) jail; 24 month(s) probation; PC 296	\$0	\$2,337	\$0
Henson, Michael	1 day(s) jail; 12 month(s) probation;	\$0	\$14,600	\$0
McKeever, Kennady	1 day(s) jail; 12 month(s) probation; 3 way search	\$0	\$84,553	\$0
On Courier 365	24 month(s) probation; Maintain workers" compensation insurance, accurately report personnel/payroll/employee job classifications to insurance carrier and EDD.	\$0	\$605,567	\$0
Parrish, Charles	1 day(s) jail; 12 month(s) probation;	\$0	\$25,750	\$0
Perez Jr., Francisco	1 day(s) jail; 24 month(s) probation; Stay away order	\$0	\$154,442	\$1,000
Porcher, Michael	1 day(s) jail; 12 month(s) probation;	\$0	\$25,000	\$0
Silva-Hendrix, Jimmy	2 day(s) jail; 24 month(s) probation;	\$0	\$32,575	\$0
Valhalla Consulting	24 month(s) probation; Truthfully report payroll to	\$0	\$335,449	\$0

SUBJECT NAME	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
	comply with all workers' compensation laws.			
Vasquez, Juan	2 day(s) jail; 12 month(s) probation; 40 hour(s) community service; Restitution reserved.	\$0	\$0	\$0
Verrett, Andre	10 day(s) jail; 12 month(s) probation; Restitution reserved.	\$0	\$0	\$0
Clarke, Rahmelle Lafek	24 month(s) probation;	\$0	\$10,776	\$370
Ismail, John Zaya	12 month(s) probation; 60 hour(s) community service;	\$0	\$43,577	\$0
Mendoza, Fidel	24 month(s) probation; 80 hour(s) community service;	\$0	\$393,412	\$0
Palma, Daniel Altamirano	24 month(s) probation;	\$0	\$30,468	\$0
Tapia, Jose Hernandez	12 month(s) probation; 20 hour(s) community service;	\$0	\$6,159	\$220
Taylor, Roy Steven	12 month(s) probation;	\$0	\$45,236	\$0
VelizAvilez, Esther	24 month(s) probation; 40 hour(s) community service;	\$0	\$37,324	\$370
Fuentebella, Giovanni	2 day(s) jail; 1 month(s) probation; 10K fine ordered but stayed indefinitely as long as victim of 7028 paid \$5,589 in restitution	\$0	\$0	\$10,000
Padilla, George / SOS Roofing Company	60 day(s) jail; 12 month(s) probation;	\$0	\$60,000	\$5,000

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<b>SUBJECT NAME</b>	<b>SENTENCE</b>	<b>ASSETS FROZEN</b>	<b>RESTITUTION</b>	<b>CRIMINAL FINE</b>
Rivas, Adan	92 month(s) prison;	\$0	\$0	\$0
Serrano, Teresa	60 day(s) jail; 12 month(s) probation; Fines stayed indefinitely as long as restitution paid in full	\$0	\$10,391	\$20,000
Frazier, Brian Lance / Backyard Getaways	12 month(s) probation;	\$0	\$11,735	\$1,000
Gomez- Jimenez, Manuel	15 day(s) jail; 12 month(s) probation;	\$0	\$0	\$2,000
Gomez- Jimenez, Manuel	12 month(s) probation;	\$0	\$0	\$0
Manteanu, Dmitri / Dima Flooring	1 day(s) jail; 12 month(s) probation;	\$0	\$0	\$1,000
Resuleo-Leiva, William Adeldo / Genesis Tree Services	1 day(s) jail; 12 month(s) probation;	\$0	\$0	\$1,500
Saldana, Jose Luis / J&S Landscaping	12 month(s) probation;	\$0	\$0	\$3,000
Stermer, Darren Lyn	1 day(s) jail; 12 month(s) probation;	\$0	\$0	\$250
Ayala, Christian Brandon	1 year conditional	\$0	\$1,000	\$0

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<b>SUBJECT NAME</b>	<b>SENTENCE</b>	<b>ASSETS FROZEN</b>	<b>RESTITUTION</b>	<b>CRIMINAL FINE</b>
Ayala, Christobal Flores	1 year conditional	\$0	\$1,000	\$0
Barragan, Humberta	1 year conditional	\$0	\$0	\$0
Blakeman, Nelson / City Plumbing	0	\$0	\$0	\$0
Carrillo, Maria	12 month(s) probation;	\$0	\$2,500	\$0
Demetrios III, Stergeos / SD3 Construction	12 month(s) probation;	\$0	\$84,139	\$0
Garzon, Joseph Juan	12 month(s) probation;	\$0	\$0	\$1,000
Gonzales Jr., Michael Rodriguez	1 year conditional	\$0	\$1,500	\$0
Gonzalez, Donaciano	1 year conditional	\$0	\$1,500	\$0
Gonzalez, Raymundo	24 month(s) probation;	\$0	\$79,568	\$0
Herrera, Noel	12 month(s) probation;	\$0	\$9,000	\$0
Hodges, Sean	1 year conditional	\$0	\$1,000	\$0
Mendoza-Castenda Jr., Jesus	12 month(s) probation;	\$0	\$554	\$0
Morales, Sandra	12 month(s) probation;	\$0	\$2,079	\$0

<b>SUBJECT NAME</b>	<b>SENTENCE</b>	<b>ASSETS FROZEN</b>	<b>RESTITUTION</b>	<b>CRIMINAL FINE</b>
Plaza, Carolyn / Absolute Urethane	24 month(s) probation;	\$0	\$840,478	\$0
Robles, Heriberto	1 year conditional	\$0	\$1,500	\$0
Shenkman, Brandon	1 year conditional	\$0	\$1,500	\$0
Villata, Daniel	1 year conditional	\$0	\$500	\$0
Bazan, Sherrie	12 month(s) probation;	\$0	\$10,000	\$220
Spaulding, James	24 month(s) probation; 25 hour(s) community service; must obtain a contractors license	\$0	\$0	\$10,000
Martinez, Jose Carlos	0	\$0	\$1,637	\$0
Avendano, Jose AKA Otilio	180 day(s) jail; 24 month(s) probation; Work release	\$0	\$37,248	\$870
Bonilla, Uriel Fabian	279 day(s) jail;	\$0	\$0	\$70
Camacho, Maria	12 month(s) probation; 100 hour(s) community service;	\$0	\$0	\$525
Howard, Brenda	12 month(s) probation; 50 hour(s) community service;	\$0	\$7,791	\$220
Desoto, Jr., Carlos	1 day(s) jail; 12 month(s) probation;	\$0	\$0	\$760
Jones, Tiffinie Marvell	180 day(s) jail; 24 month(s) probation;	\$0	\$0	\$1,150
Arteaga, Margarita	12 month(s) probation;	\$0	\$4,244	\$0

Enforcement Branch

<b>SUBJECT NAME</b>	<b>SENTENCE</b>	<b>ASSETS FROZEN</b>	<b>RESTITUTION</b>	<b>CRIMINAL FINE</b>
Barnes, Leroy	24 month(s) probation; 400 hour(s) community service;	\$0	\$24,500	\$70
Basa, Zuelta Melissa	6 month(s) probation; 120 hour(s) community service;	\$0	\$1,231	\$0
Benitez, Rogelio	24 month(s) probation;	\$0	\$30,000	\$300
Camper, James	24 month(s) probation; 200 hour(s) community service;	\$0	\$8,718	\$0
Castillo-hurtado, Jose	24 month(s) probation;	\$0	\$22,000	\$0
Cipres-rios, Maria	1 day(s) jail; 24 month(s) probation;	\$0	\$0	\$0
Curiel, Melinda / Marameg Ventures Inc	12 month(s) probation; 100 hour(s) community service;	\$0	\$2,540	\$0
Deniz, Adan / Underground Engineering	24 month(s) probation; 15 DAYS CAL TRANS.	\$0	\$52,000	\$0
Golan, Dalit	12 month(s) probation; 120 hour(s) community service;	\$0	\$10,000	\$0
Holodnak, William	12 month(s) probation;	\$0	\$7,500	\$0
Ilano, Erick Mondilla	1 day(s) jail; 12 month(s) probation;	\$0	\$10,276	\$150
Juarez, Rodolfo	0	\$0	\$0	\$0
Keoroghilian, Shahe / Active Automotive	12 month(s) probation;	\$0	\$0	\$10,000
King, Alphonso	24 month(s) probation;	\$0	\$6,244	\$0

Enforcement Branch

<b>SUBJECT NAME</b>	<b>SENTENCE</b>	<b>ASSETS FROZEN</b>	<b>RESTITUTION</b>	<b>CRIMINAL FINE</b>
Korinek, Gilda	12 month(s) probation;	\$0	\$96,276	\$0
Linares, Eva Melisa Hernande	12 month(s) probation; 100 hour(s) community service;	\$0	\$3,250	\$150
Lopez- Gonzalez, Victor Irene	12 month(s) probation; 50 hour(s) community service;	\$0	\$0	\$0
Madison, Hopert	24 month(s) probation; 100 hour(s) community service;	\$0	\$9,982	\$400
Manzanares, Ondina	1 day(s) jail; 24 month(s) probation; 240 hour(s) community service;	\$0	\$25,000	\$0
Mayorga, Marco Antonio Alaniz	1 day(s) jail; 12 month(s) probation; 240 hour(s) community service;	\$0	\$7,987	\$150
Medinilla- Zambran, Antonio O.	24 month(s) probation; 100 hour(s) community service;	\$0	\$29,302	\$400
Montes De Oca, Erik	10 day(s) jail; 24 month(s) probation;	\$0	\$32,843	\$0
Okere, Francis	24 month(s) prison;	\$0	\$65,187	\$0
Okyere, Francis Abeka	24 month(s) prison;	\$0	\$38,963	\$0
Piggee Jr., Marion Anderson	12 month(s) probation;	\$0	\$554,658	\$500
Pogosyan, Tigran	12 month(s) probation;	\$0	\$40,199	\$0



Enforcement Branch

<b>SUBJECT NAME</b>	<b>SENTENCE</b>	<b>ASSETS FROZEN</b>	<b>RESTITUTION</b>	<b>CRIMINAL FINE</b>
Prosperi, Jr., Andre	100 hour(s) community service;	\$0	\$16,541	\$0
Rosales, Rosa	12 month(s) probation; 100 hour(s) community service;	\$0	\$2,124	\$220
Rothwell, Vivien	12 month(s) probation; 100 hour(s) community service;	\$0	\$20,785	\$0
Salazar, Juan	128 day(s) jail;	\$0	\$2,675	\$150
Sanchez, David	12 month(s) probation; 300 hour(s) community service;	\$0	\$54,813	\$70
Santiago, Armando	100 hour(s) community service;	\$0	\$11,464	\$0
Shalmoni, Jeffry Ben-Zion	12 month(s) probation; 30 Hours Cal Trans	\$0	\$16,374	\$0
Tolentino, Evelina	12 month(s) probation;	\$0	\$10,000	\$0
Wade, Elizabeth	1 month(s) probation;	\$0	\$0	\$0
Wynn-Jones, Patricia	0	\$0	\$38,450	\$0
Zamora, Irving Jose	6 month(s) probation;	\$0	\$6,979	\$150
Zamora, Juan Carlos	24 month(s) probation; 200 hour(s) community service;	\$0	\$36,699	\$0
Zaragosa, Maria	12 month(s) probation;	\$0	\$5,961	\$370
Moari, Khalid	10 day(s) jail; 12 month(s) probation; 40 hour(s) community service; Theft Awareness; Workers" Comp Fraud Fund Fine	\$0	\$1,100	\$1,200

Enforcement Branch

<b>SUBJECT NAME</b>	<b>SENTENCE</b>	<b>ASSETS FROZEN</b>	<b>RESTITUTION</b>	<b>CRIMINAL FINE</b>
Bautista, Alfonso Bautista	12 month(s) probation;	\$0	\$0	\$1,000
Casas, Jason Aleman	12 month(s) probation;	\$0	\$12,340	\$220
Esquivel, Araceli Zarate	12 month(s) probation; 20 hour(s) community service;	\$0	\$0	\$220
Patino, Rafael Maldonado	120 day(s) jail; 24 month(s) probation; 80 hour(s) community service;	\$0	\$17,302	\$0
Solorzano, Juan Manuel	12 month(s) probation; 20 hour(s) community service;	\$0	\$2,168	\$220
Arellano Munoz, Pablo	12 month(s) probation;	\$0	\$0	\$0
Aultman, Janeil Lynn	40 day(s) jail; 24 month(s) probation;	\$0	\$37,522	\$370
Diallo, Amadou	0	\$0	\$0	\$0
Diaz-Lopez, Emanuel	12 month(s) probation;	\$0	\$0	\$790
Faulk, Dustin Thomas	12 month(s) probation;	\$0	\$0	\$10,220
Mendoza, Jesus	0	\$0	\$0	\$0
Ortiz-Rosas, Jaime	104 day(s) jail; 12 month(s) probation;	\$0	\$10,000	\$220
Paquin, Jack Arthur / Paquin Construction	0	\$0	\$0	\$500
Ramos Mendoza, Rafael / Green	12 month(s) probation;	\$0	\$0	\$470

Enforcement Branch

<b>SUBJECT NAME</b>	<b>SENTENCE</b>	<b>ASSETS FROZEN</b>	<b>RESTITUTION</b>	<b>CRIMINAL FINE</b>
Shield Landscape Inc.				
Saldana, Fabian	30 day(s) jail; 12 month(s) probation;	\$0	\$0	\$1,290
Thomas, Kurstin	0	\$0	\$25,000	\$0
Aultman, Janiel	12 month(s) probation;	\$0	\$3,547	\$220
Cisneros Sanchez, Robert	2 day(s) jail; 12 month(s) probation;	\$0	\$2,496	\$220
Mathison, Kate Lyn	12 month(s) probation;	\$0	\$1,028	\$0
Tye, Eric Ray / Tyco Roofing Company	12 month(s) probation; 100 hour(s) community service;	\$0	\$71,397	\$220
Nguyen, Adam / TA Nails	12 month(s) probation; Proof of Worker's Compensation Insurance	\$0	\$0	\$587
Delgado, Germaine	90 day(s) jail; 12 month(s) probation;	\$0	\$41,893	\$150
Groscost, Bradley / DSJ	364 day(s) jail; 24 month(s) probation; Restitution is Joint & Severably Liable	\$0	\$1,606,174	\$150
Hurtado, Ivanna	12 month(s) probation;	\$0	\$5,137	\$150
Koltsov, Felix / DSJ	12 month(s) probation; \$1,606,174 restitution amount is Joint & Severably Liable with defendant, Bradley Groscost.	\$0	\$1,606,174	\$150

<b>SUBJECT NAME</b>	<b>SENTENCE</b>	<b>ASSETS FROZEN</b>	<b>RESTITUTION</b>	<b>CRIMINAL FINE</b>
Magdeleno, Shantell	0	\$0	\$13,563	\$1,150
Mendoza, Jose	60 hour(s) community service;	\$0	\$58,300	\$150
Osokin, Pavel / Tri-County Sandblasting Inc	15 day(s) jail; 12 month(s) probation;	\$0	\$20,397	\$150
Riggs, Kierra	12 month(s) probation; 80 hour(s) community service;	\$0	\$0	\$2,650
Romero, Sergio	Sentencing set for 02/16/24.	\$0	\$0	\$0
Rosen, Randy Scott / Rosen Anesthesia Group/Spalding Surgical Center	120 month(s) prison; Restitution in the amount of \$952,639.58 to be paid by both Liza Vismanos and Randy Rosen.	\$0	\$952,640	\$5,300
Vismanos, Liza Marie / Rosen Anesthesia Group/Spalding Surgical Center	364 day(s) jail; 36 month(s) probation; 364 days are to be served as home confinement/house arrest. Restitution in the amount of \$952,639.58 to be paid by both Liza Vismanos and Randy Rosen.	\$0	\$952,640	\$5,300
Woods, Jon / USA Photocopy	48 month(s) prison; Jury re-trial began 06/08/2022. Trial lasted 25 days. Restitution sentencing set for 05/12/23.	\$0	\$701,452	\$300
Zavala, Jose	12 day(s) jail; 24 month(s) probation; Jail is	\$0	\$19,419	\$150

Enforcement Branch

SUBJECT NAME	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
	concurrent with case number 21WM07930.			
Arevalo, Karla Mariela	1 day(s) jail;	\$0	\$0	\$150
Calix, Estrella Juan	1 day(s) jail; 12 month(s) probation;	\$0	\$0	\$150
Cerchio, Frances Jeanine	2 day(s) jail; 12 month(s) probation; 56 days to be served in work release program	\$0	\$0	\$150
Cubain, Ala Abdaula / Boys Burgers	1 day(s) jail; 12 month(s) probation;	\$0	\$0	\$150
Daoud, Kareem	12 month(s) probation; 40 hour(s) community service; 40 hours community service in Lieu of 5 days in custody	\$0	\$0	\$150
Fitzgerald, Brian	1 day(s) jail; 24 month(s) probation;	\$0	\$115,256	\$300
Flores Lara, Jose Nicasio	1 day(s) jail; 24 month(s) probation; 160 days total (1 day in custody for booking 159 days to be spent in work release)	\$0	\$0	\$300
Gonzalez, Francisco / Pancho Construction INC.	1 day(s) jail; 12 month(s) probation;	\$0	\$33,693	\$150
Holguin, Edward	Proof of completion of community service hours shown in court.	\$0	\$0	\$0

Enforcement Branch

<b>SUBJECT NAME</b>	<b>SENTENCE</b>	<b>ASSETS FROZEN</b>	<b>RESTITUTION</b>	<b>CRIMINAL FINE</b>
Lopez, Sarvia Ofelia	Proof of completion of community service hours shown in court	\$0	\$0	\$0
Martin, Salvador Pablo	12 month(s) probation;	\$0	\$0	\$1,495
Morales, Adam	1 day(s) jail; 12 month(s) probation;	\$0	\$8,100	\$150
Rodarte, Armando	1 day(s) jail; 36 month(s) probation; 90 days total (1 day in custody for booking. 89 days to be served in work release)	\$0	\$400,000	\$300
Sanchez, Gabriela	120 day(s) jail; 24 month(s) probation; 120 days to be served in work release program	\$0	\$23,560	\$0
Santiago, Juan	1 day(s) jail; 24 month(s) probation; 89 days to be spent in work release program	\$0	\$29,775	\$300
TorresMarin, Jose	1 day(s) jail; 24 month(s) probation; 44 to be spent in work release program	\$0	\$83,988	\$300
Valenzuela, Jose David	1 day(s) jail; 12 month(s) probation; 45 days total ( 1 day in custody for booking. 44 to be served in work release program.)	\$0	\$0	\$150
Vasquez, Diego	180 day(s) jail; 24 month(s) probation; 179 Work release	\$0	\$0	\$150

Enforcement Branch

SUBJECT NAME	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
Zepeda, Melbe	4 day(s) jail; 24 month(s) probation;	\$0	\$0	\$0
Blane, Ronald	12 month(s) probation;	\$0	\$70,000	\$150
Childs, Nicole	60 day(s) jail; 12 month(s) probation;	\$0	\$3,509	\$0
Colon, Miguel	120 day(s) jail; 12 month(s) probation;	\$0	\$29,344	\$150
Gray, Amber	121 day(s) jail; 12 month(s) probation;	\$0	\$40,000	\$150
Jacinto, Aristotle	120 day(s) jail; 12 month(s) probation;	\$0	\$44,218	\$150
Karavaki, Mereseini	12 month(s) probation;	\$0	\$0	\$500
Khripunov, Viktor	30 day(s) jail; 12 month(s) probation;	\$0	\$0	\$1,000
Maldonado, Jorge	180 day(s) jail; 24 month(s) probation;	\$0	\$0	\$300
Navarro, Jose	45 day(s) jail; 12 month(s) probation;	\$0	\$6,442	\$150
Noori, Ahmadzaki	120 day(s) jail; 12 month(s) probation;	\$0	\$0	\$150
Pace, Jon	45 day(s) jail; 12 month(s) probation;	\$0	\$279,114	\$150
Tidwell, Herbert	12 month(s) probation;	\$0	\$27,787	\$150
Veatch, Mark	90 day(s) jail; 12 month(s) probation;	\$0	\$12,815	\$0

Enforcement Branch

SUBJECT NAME	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
Chaves, Johnny / Chaves Transportation	1 day(s) jail; 12 month(s) probation;	\$0	\$0	\$235
Faveron, Fernando	12 month(s) probation; 100 hour(s) community service;	\$0	\$40,531	\$0
Nieves, Soledad	12 month(s) probation;	\$0	\$36,134	\$0
Perez, Sandra	1 day(s) jail; 12 month(s) probation; 100 hour(s) community service;	\$0	\$16,813	\$265
Rosales, Ofelia	1 day(s) jail; 24 month(s) probation; 200 hour(s) community service;	\$0	\$11,094	\$411
Afungia, Amipeliasi	12 month(s) probation;	\$0	\$6,225	\$0
Ahmed, Fadumo	Case pending	\$0	\$0	\$0
Antrim, Mikel	12 month(s) probation; reduced at sentencing	\$0	\$0	\$500
Bolanos, Jose Luis	1 day(s) jail; 12 month(s) probation; ECF joint w/codefs, codef charged w/IC11760(a)	\$0	\$50,000	\$250
Brookman, Troy	12 month(s) probation;	\$0	\$12,785	\$0
Dam, Thanh Hong	1 day(s) jail; 24 month(s) probation;	\$0	\$0	\$0
Deluna, Jaime R	12 month(s) probation;	\$0	\$75,316	\$0
Dobbs, Scott	1 day(s) jail; 12 month(s) probation;	\$0	\$917	\$0



Enforcement Branch

SUBJECT NAME	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
Fu, Huijuan	12 month(s) probation;	\$0	\$2,000	\$200
Garcia, Alberto	12 month(s) probation; 40 hour(s) community service;	\$0	\$2,250	\$0
Guevara, Silvieno	24 month(s) probation;	\$0	\$291,417	\$0
Hage, Stephen	12 month(s) probation;	\$0	\$750	\$0
Holschen, Jacob	1 day(s) jail; 6 month(s) probation; ECF joint w/codefs, codef charged w/IC11760(a)	\$0	\$6,333	\$250
Howell, Mark Fred	1 day(s) jail; 12 month(s) probation;	\$0	\$155,967	\$0
Larios, Juan Pablo	12 month(s) probation;	\$0	\$247,000	\$1,000
Lee, In Koo	365 day(s) jail; 24 month(s) probation; 300 hour(s) community service;	\$0	\$1,892,955	\$1,190
Lee, Jianhua	12 month(s) probation;	\$0	\$2,000	\$200
Liu, Xiaoming	12 month(s) probation;	\$0	\$4,000	\$0
Luchini, Stephen	1 day(s) jail; 24 month(s) probation; ECF joint w/codefs, codef charged w/IC11760(a)	\$0	\$0	\$820
McGinty, Thomas	180 day(s) jail; 24 month(s) probation; Rest to EDD: \$76,349 J&S with codefs.	\$0	\$1,962,942	\$0
Mendoza, Albert	0	\$0	\$12,512	\$100
Morales, Humberto	0	\$0	\$750	\$49

Enforcement Branch

SUBJECT NAME	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
Morgutia, Anna B	1 day(s) jail; 12 month(s) probation; Forged WC cert., ECF joint w/codef	\$0	\$0	\$500
Morgutia, Gustavo	24 month(s) probation; Forged WC cert., ECF joint w/codef	\$0	\$248,893	\$0
Murch, Franklin	0	\$0	\$0	\$0
Nazari, Waliullah	24 month(s) probation;	\$0	\$53,879	\$0
Reyes, Gustavo	1 day(s) jail; 12 month(s) probation;	\$0	\$250	\$0
Sedano, Roman	12 month(s) probation;	\$0	\$37,750	\$0
Steinhardt, Jeffrey	1 day(s) jail; 12 month(s) probation;	\$0	\$323,720	\$250
Gregori, Gina / GMG Janitorial	6 month(s) prison;	\$0	\$8,382,788	\$0
Bautista, Sonia	Sentencing is 05/12/2023	\$0	\$0	\$0
Lashchuk, Nikolay	40 hour(s) community service; PIA 1 year	\$0	\$3,988	\$0
Pham, Jackson	40 hour(s) community service; 1 year Plea in Abeyance	\$0	\$3,092	\$0
Robinson, Janai	90 day(s) jail; 12 month(s) probation;	\$0	\$0	\$0
Singh, Gurinder / Department of Corrections and Rehabilitation	24 month(s) probation;	\$0	\$74,276	\$0
Wisner, Gary	0	\$0	\$144,677	\$0

Enforcement Branch

SUBJECT NAME	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
Gamos, Carlina G	68 month(s) prison; Sentenced on 2/8/23 to 5 years, 8 months CDC Cont'd to March 2023 for Restitution Hearing	\$0	\$0	\$0
Gamos, Joshua Galang	116 month(s) prison; Sentenced on 2/8/23 to 9 years, 8 months in CDC  Continued to March 27, 2023 for Restitution Hearing	\$0	\$0	\$10,300
Gamos, Noel G	60 month(s) prison;	\$0	\$0	\$10,300
Munoz, Estrella Soriano	10 day(s) jail; 24 month(s) probation;	\$0	\$8,809	\$0
Carson, Troy / Security Code 3	365 day(s) jail; 24 month(s) probation;	\$0	\$742,367	\$300
Helda, Martin / All Bay Area Floors Inc	120 day(s) jail; 12 month(s) probation; 200 hour(s) community service;	\$0	\$465,912	\$0
Le, Nam Trong / Atlas Private Security	0	\$0	\$0	\$0
Le, Nam Trong / Defense Protection Group	0	\$0	\$0	\$0
Le, Nam Trong / VP Security Services Inc	0	\$0	\$0	\$0
Lugo, Jaime / Security Code 3	12 month(s) probation;	\$0	\$0	\$150

Enforcement Branch

<b>SUBJECT NAME</b>	<b>SENTENCE</b>	<b>ASSETS FROZEN</b>	<b>RESTITUTION</b>	<b>CRIMINAL FINE</b>
Mendoza, Michael / M-Tech Refrigeration/Cli-Metrics Service Company	30 day(s) jail; 12 month(s) probation;	\$0	\$35,988	\$165
PerezCuevas, Marco	0	\$0	\$0	\$0
Truong, Hung	90 day(s) jail; 24 month(s) probation;	\$0	\$45,626	\$600
Webster, Victor / Websters Builders Corp	12 month(s) probation;	\$0	\$0	\$0
Wiegand, Lanette / Security Code 3	4 day(s) jail;	\$0	\$0	\$150
Alba, Elizabeth	12 month(s) probation;	\$0	\$5,000	\$220
Mercer, Damon Christopher	90 day(s) jail; 24 month(s) probation;	\$0	\$65,341	\$370
Johnson, Shanadoa Wayne / Blacktop Paving	264 month(s) prison;	\$0	\$0	\$233,787
Wasso, Michael James / Town and Country Paving	12 month(s) probation;	\$0	\$3,200	\$10,000
Brew, William / ABC Towing	1 day(s) jail; 12 month(s) probation; Restitution reserved	\$0	\$0	\$0

SUBJECT NAME	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
Manalo, Raffy	1 day(s) jail; 12 month(s) probation; 150 hour(s) community service; \$8661 restitution paid.	\$0	\$8,661	\$0
Godinez, Maria	12 month(s) probation; 40 hour(s) community service; There was no restitution as defendant paid in C&R in claim prior to plea in criminal case	\$0	\$0	\$0
Andrade, Melecio Moran	12 month(s) probation; Theft Awareness Class 14 weeks	\$0	\$7,372	\$0
Contreras, Ruben	12 month(s) probation; Theft Awareness Class 14 weeks	\$0	\$0	\$235
Larson, Justin Carol	12 month(s) probation;	\$0	\$0	\$235
Oregon, Borja	12 month(s) probation; at PTC 2/15/23 he pled and was sentenced to probation and fine ordered	\$0	\$0	\$235
Ruiz Serrato, Yolanda	12 month(s) probation; PHS on 3/29/23 was continued to 4/26/23 PHS. restitution to remain open. 14 hours theft awareness class.	\$0	\$0	\$274
Valencia, Jose	60 month(s) probation; 24 week Theft Awareness Class	\$0	\$75,876	\$500
Alday, Genesis Maohev	0	\$0	\$0	\$0

SUBJECT NAME	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
Cajthaml, Peter	1 day(s) jail; 12 month(s) probation;	\$0	\$3,517	\$220
Delara, Robert	90 day(s) jail; 24 month(s) probation; Actual date of conviction 03/25/2022. Changed bc it would not let me submit otherwise. Sentenced 7/12/22, years CDCR execution of sentence suspended. Rest hearing 9/20/2023.	\$0	\$0	\$1,200
Dijar, Francisco	Defendant's case was abated	\$0	\$0	\$0
Hernandez, Maria	150 month(s) prison; 24 month(s) probation; Court stayed jail time as long as defendant is compliant with probation terms.	\$0	\$26,710	\$300
Sokoloff, Michael	120 day(s) jail; 12 month(s) probation;	\$1,200,606	\$650,000	\$440
Falk, Dawn Marie	183 day(s) jail; 18 month(s) probation; Probation was ordered at 547 days = 18+ months	\$0	\$0	\$600
Kaeser, Kenneth / Paver Pros	24 month(s) probation; 100 hour(s) community service;	\$0	\$170,369	\$0
Kaeser, Noelle / Paver Pros	24 month(s) probation; 100 hour(s) community service;	\$0	\$170,369	\$0

2023 ANNUAL REPORT  
**EXECUTIVE OPERATIONS BRANCH**

## **EXECUTIVE OPERATIONS BRANCH**

### **OFFICE OF CIVIL RIGHTS**

The Office of Civil Rights (OCR) is responsible for developing and updating policies and procedures ensuring compliance with Title VII of the Civil Rights Act of 1964 and California's Fair Employment and Housing Act. The OCR ensures that all managers, supervisors, and employees promote a workplace environment free of discrimination, harassment, and/or retaliation. The OCR administers the Disability Programs and the California Department of Insurance's (CDI) discrimination complaint programs. The OCR also provides consultative services to Executive Management and ensures mandatory training compliance related to policies and procedures is completed by all department employees.

In 2023, the OCR continued to virtually sponsor the statutorily mandated Disability Advisory Committee (DAC) to continue to meet with and advise the Commissioner, managers, and supervisors regarding disability-related matters and to assist in the identification of any systemic access issues for employees, applicants and business partners with disabilities. The DAC meets on the second Thursday of every quarter, and it distributes monthly Disability Awareness Campaigns highlighting disability-related educational material.

In 2023, the OCR in partnership with the DAC, developed a campaign to reach out to our employees and business partners to educate them about the importance of identifying as a person with a disability (PWD) or without a disability for statistical data purposes required by CalHR. The demographic reports generated from the data assist the CDI in understanding our employee diversity makeup (including PWDs) to ensure the Department is representative of the people we serve.

In 2023, the OCR continued to administer the Sexual Harassment Prevention training virtually to ensure CDI maintains compliance with all state and federal laws pertaining to Civil Rights and Equal Employment Opportunity.

By the end of 2023, CDI continued to be fully compliant with the Sexual Harassment Prevention training requirements as mandated by state and federal law.

### **OFFICE OF STRATEGIC PLANNING AND INITIATIVES**

The newly recasted Office of Strategic Planning and Initiatives (OSPI) is responsible for all elements of strategic planning, including developing and implementing CDI's Strategic Plan, and major Commissioner-led initiatives to support the CDI's vision, mission, values, and goals. OSPI also develops CDI's Workforce and Succession Plan



and manages the implementation of targeted department-wide and program-level workforce planning and succession planning strategies. OSPI is also responsible for organizational performance management, including survey and data collection, analysis, and the identification, development, and implementation of methodologies that measure progress toward program, department-wide, and mission-critical objectives. OSPI develops reports such as the Annual Report of the Insurance Commissioner, tracks and submits other legislatively mandated reports, and participates in special projects as needed.

On an on-going basis, OSPI manages appointments made by Commissioner Lara to nine advisory boards, task forces, and committees including the:

1. California Automobile Assigned Risk Plan (CAARP) Advisory Committee,
2. California Earthquake Authority (CEA) Advisory Panel,
3. California Insurance Guarantee Association (CIGA) Board of Governors,
4. California Life & Health Insurance Guarantee Association (CLHIGA) Board of Governors,
5. California Long Term Care Insurance Task Force,
6. California Organized Investment Network (COIN) Advisory Board,
7. California Workers' Compensation Insurance Rating Bureau (WCIRB) Governing Committee,
8. Curriculum Board, and
9. Insurance Diversity Task Force.

In alignment with the goals of the Commissioner's Insurance Diversity Initiative, the Department aimed to identify and broaden the demographic diversity of appointees, including gender, race/ethnicity, sexual orientation, and disabled veteran status. In 2023, the Appointments Office facilitated 31 appointments made by the Commissioner, 18 of which were diverse individuals, or 58%. Of the 67 total appointees to boards and committees, 55 are diverse individuals, or 82%, with 39 of those individuals being ethnically diverse, or 58%. For reference, of the total California population, 66% are racially or ethnically diverse (based on the [2022 American Community Survey 1-Year Estimates](#)). Commissioner Lara will continue striving to achieve diversity in his appointments to emulate the growing demographics and great diversity of the Golden State.

## **ORGANIZATIONAL ACCOUNTABILITY OFFICE**

The recasted Organizational Accountability Office (OAO) provides heightened leadership and improved coordination of planning, risk, and compliance for the Department. OAO is comprised of three programs:

### **Information Security Office**

The Information Security Office (ISO) plays a critical role in safeguarding the Department's sensitive information assets by ensuring compliance with regulations and industry best practices, managing cybersecurity risks, and promoting employee awareness of information security risks. By doing so, the ISO helps protect against cyber threats, minimizes the risk of a security breach, addresses human error, and creates a culture of security within CDI.

### **Internal Audits Unit**

The Internal Audit Unit (IAU) provides independent and objective assurance and consulting services to CDI's management. By monitoring internal controls and ensuring compliance with applicable laws and regulations, IAU assists CDI in enhancing the effectiveness and efficiency of its operations. In addition, IAU is tasked with conducting whistleblower investigations and coordinating external audits.

### **Organizational Risk Management Unit**

The Organizational Risk Management Unit (ORM) Unit is responsible for designing, implementing, and maintaining CDI's Enterprise Risk Management structure. ORM develops plans and alternatives for increasing the ongoing efficiency and effectiveness of departmental internal controls as outlined in the State Leadership Accountability Act. Additional responsibilities include compliance with incompatible activities requirements, ethics training, and risk management education.

2023 ANNUAL REPORT  
**FINANCIAL SURVEILLANCE BRANCH**

## FINANCIAL SURVEILLANCE BRANCH

The Financial Surveillance Branch's (FSB) main goal is to contribute to CDI's mission by ensuring vibrant markets where insurers keep their promises and the health and economic security of individuals, families and businesses are protected. To achieve this goal, FSB oversees the financial condition of the insurance industry, including entities admitted to do business in California as well as those operating on a non-admitted/excess and surplus line basis through the work of the following offices:

- Financial Analysis Division
- Field Examination Division
  - Premium Tax Audit Unit
- Life Actuarial Office
- Property & Casualty Actuarial Office
- Office of Principle-Based Reserving

### **Participation and Interaction with the National Association of Insurance Commissioners (NAIC)**

Representing CDI and the Commissioner, FSB actively participates in the NAIC committees, task forces and working groups, covering areas such as accounting practices and procedures; blanks; valuation of securities; financial analysis and solvency; multistate examinations; examiner and analysis training; actuarial-related issues and requirements; and issues concerning insurer insolvencies and insolvency guarantees. With California being the largest insurance market in the United States, our participation at the NAIC provides us the strongest possible voice in setting national standards for financial reporting and solvency regulation. During 2023, FSB contributed to many updates and enhancements to the annual/quarterly financial statement blanks and instructions, risk-based capital formulas, Accounting Practices and Procedures Manual, Financial Analysis Solvency Tools, Financial Analysis Handbook, Financial Condition Examiners Handbook, and NAIC model laws and model regulations. As the lead regulator, FSB coordinated and supported multistate efforts in addressing the solvency problems of a number of nationally significant insurers as well.

To promote sound financial solvency regulation, CDI is subject to the accreditation reviews of the NAIC Financial Regulation Standards and Accreditation Program. For CDI to remain accredited, a Full Accreditation Review must be performed at least once every five years, subject to Interim Annual Reviews. The Full Accreditation Review entails a review of laws and regulations, the financial analysis and examination functions, department oversight, organizational and personnel practices, and primary licensing, redomestications and change of control of domestic insurers.

Started in late 2023 and concluded in March 2024, FSB (with assistance of the Legal Branch) had successfully undergone the Full Accreditation Review for CDI to be

recognized for meeting and exceeding the NAIC financial solvency oversight standards; and be re-accredited for another five years. In addition, the NAIC's Financial Regulations Standards and Accreditation Committee acknowledged positive attributes related to the work of FSB.

### **Coordination and Participation in Supervisory Colleges**

Pursuant to the California Insurance Code Section 1215.7, the Commissioner shall have the power to participate in a supervisory college for any domestic insurer that is part of an insurance holding company system with international operations in order to determine compliance by the insurer with the Insurance Holding Company System Regulatory Act. The Commissioner may also participate in a supervisory college with other regulators charged with supervision of the insurer or its affiliates, including other state, federal, and international regulatory agencies. A supervisory college may be convened as either a temporary or permanent forum for communication and cooperation between the regulators charged with the supervision of the insurer or its affiliates.

Representing the Commissioner, FSB (in particular, the Financial Analysis Division and the Field Examinations Division) actively participated in eight supervisory colleges to fulfill such statutory obligations during 2023.

## **FINANCIAL ANALYSIS DIVISION**

The Financial Analysis Division (FAD), through its three bureaus, conducts ongoing, risk-focused financial surveillance of California licensed entities; identifies those that may be trending toward hazardous financial condition; and intervenes with preventive and corrective measures, when appropriate. Once a company is identified as financially troubled or potentially troubled, FAD oversees and evaluates it closely.

On a quarterly and ad hoc basis, FAD presents its financial analyses and proposes course of actions to the CDI's Early Warning Team (EWT). The EWT has the ultimate responsibility of overseeing the entities determined to be in financial difficulty or under financial distress. All formal regulatory actions require the consent of the FSB Deputy Commissioner, the General Counsel, the Chief Deputy Commissioner, and the Commissioner. FAD also works collaboratively with the Department's Conservation & Liquidation Office on insurers found to be in a financially hazardous condition such that further transaction of business would pose a risk to policyholders, creditors, or to the public.

To protect California consumers, FAD performs thorough and comprehensive reviews of the financial aspects of corporate applications requiring the Commissioner's prior approval. Such corporate applications include, but are not limited to: certificates of authority, amended certificates of authority, organizational permits, securities permits, variable contract qualifications, underwritten title company licenses, acquisitions,

mergers, intercompany company transactions, and trustee/certified/accredited/reciprocal jurisdiction reinsurers. Moreover, FAD assists the Legal Branch - Corporate Affairs Bureau I and II in their efforts to ensure licensed entities conduct company affairs in accordance with the law and regulations. CDI delegates to the Financial Analysis Department of the Surplus Line Association of California to perform financial reviews of nonadmitted insurers that are applying or have been approved to be on the CDI's List of Approved Surplus Line Insurers. FAD reviews its completed Security Review and Analyses; approves/denies its financial recommendation as to whether the insurer has met the financial requirements established under California Insurance Code §1765.2; and provides direction and guidance, when warranted.

Furthermore, FAD provides technical support to other program areas within the Department relative to the financial oversight of reinsurance practices, Lloyd's of London, captive insurers, and risk retention groups; develops policies, guidelines and legislative proposals to strengthen insurance solvency regulation; and joins forces with the Department's Rate Regulation Branch and other state insurance regulators to help specific insurers address their financial challenges which directly impact California consumers.

**FINANCIAL REVIEWS OF REGULATED ENTITIES  
PERFORMED IN CALENDAR YEAR 2023**

<b>COMPANY TYPE</b>	<b>ANNUAL REVIEWS</b>	<b>QUARTERLY REVIEWS</b>
Life and Property & Casualty	447	867
Other Entities	585	157

**FINANCIAL REVIEWS OF CORPORATE APPLICATIONS  
COMPLETED IN CALENDAR YEAR 2023**

<b>FILING TYPE</b>	<b>COMPLETED</b>
Certificate of Authority	31
Holding Company Transactions	201
Other Matters	222

**FIELD EXAMINATIONS DIVISION**

Under the provisions of Sections 730, 733, 734.1, and 736 of the California Insurance Code (CIC), the Commissioner may examine the business and affairs of every admitted insurer, whenever deemed necessary, to determine its financial condition and compliance with applicable laws. Unless financial or other conditions warrant an immediate examination, domestic insurers are usually examined every three to five years and foreign insurers are usually examined in accordance with the NAIC’s procedures for examination scheduling. The Field Examinations Division (FED) also performs financial examinations of underwritten title companies, home warranty companies, and other entities as necessary.

It is FED’s responsibility to determine the financial condition of insurance companies in accordance with the CIC, legal requirements, and prescribed accounting practices as promulgated by the NAIC. Examinations are conducted in accordance with the NAIC’s Financial Condition Examiners Handbook.

FED also works collaboratively with other Branches and divisions in developing guidelines and legislative proposals to strengthen insurance solvency regulation. In addition, FED provides technical assistance to the Rate Regulation Branch in their review of rate filings and conducts a full-scope/targeted exam on specific insurers, when appropriate.

Various types of examinations initiated and completed by FED in 2023 are presented as follows:

**FED INITIATED EXAMINATIONS  
CALENDAR YEAR 2023**

<b>TYPE</b>	<b>INITIATED</b>	<b>COMPLETED</b>
Domestic Companies	23	41
Underwritten Title Companies	3	5
Foreign Companies	1	2
Qualifying Exams	1	1
Statutory Exams	1	0
<b>Total</b>	29	49

**PREMIUM TAX AUDIT UNIT**

The Premium Tax Audit Unit assists with determination of compliance with rules and regulations of the Insurance Tax Program. The Insurance Tax Program is jointly administered by the California Department of Tax and Fee Administration, the Board of Equalization, the California Department of Insurance, and the State Controller's Office.

The taxes on insurers are annual taxes imposed on admitted insurance companies and surplus lines insurance brokers doing business in California. Insurers may be subject to as many as three insurance taxes in California.

**Insurance Taxes** – The Premium Tax Audit Unit audits gross premium tax returns filed by insurance companies and surplus lines brokers. The premium tax supports State General Fund obligations.

**Basis and Rate of Tax** – A rate of 2.35% is levied on the amount of “gross premiums” received, less return premiums from insurance business done in California. A lower premium tax rate of 0.50% is applied to premiums received under pension and profit-sharing plan contracts “qualified” under the Internal Revenue Code.

Title insurance and ocean marine insurance are exceptions to the general premium tax rate basis and rate structure. Insurers transacting title insurance are taxed at a rate of 2.35% upon all income received in this state, with the exception of income arising out of investments. Ocean marine insurers are taxed at a rate of 5% of the average annual underwriting profit earned during the preceding three calendar years.

**Retaliatory Taxes** – Insurers domiciled in states with a higher tax rate than California pay a “retaliatory tax” to California equal to the difference in the tax rate of their state of domicile and the tax rate of the State of California.

**Surplus Line Taxes** – The surplus lines insurance brokers pay a tax rate of 3.00% levied on surplus line premiums pursuant to CIC Section 1775.5.

**FED-PREMIUM TAX AUDIT UNIT INITIATED EXAMINATIONS  
CALENDAR YEAR 2023**

TYPE	INITIATED	COMPLETED
Domestic Companies	1	1
Foreign Companies	17	24
Surplus Line Brokers	6	5
<b>Total</b>	<b>24</b>	<b>30</b>



**TAXES LEVIED AND COLLECTED  
FISCAL YEAR 2022-23**

<b>TYPE</b>	<b>AMOUNT COLLECTED</b>
Insurance premium taxes, Ocean Marine taxes, and Retaliatory taxes	\$3,147,138,012
Premium tax refunds	\$48,708,167
Surplus line taxes	\$545,785,325
Surplus line taxes refunds	\$2,683,473

**LIFE ACTUARIAL OFFICE**

The Life Actuarial Office (LAO) provides technical assistance within FSB. The LAO monitors reserves established by life and health insurance companies; drafts new legislation, regulations, and bulletins regarding actuarial matters; reviews selected portions of life insurance and annuity policy forms; and ensures compliance regarding Appointed Actuary changes, long-term care loss ratios and premiums, and illustration certifications. The LAO actively participates in the NAIC actuarial committees, task forces and working groups, in addition to providing technical assistance to FSB in its work with the NAIC.

**PROPERTY & CASUALTY ACTUARIAL OFFICE**

Like the LAO, the Property & Casualty Actuarial Office (PCAO) provides technical assistance within FSB. The PCAO provides reserve analysis on financial examinations and provides technical assistance to FSB on projects and the work of FSB with the NAIC.

Listed below are workload statistics of the LAO and PCAO for the year 2023:

**LAO AND PCAO WORKLOAD STATISTICS  
CALENDAR YEAR 2022**

<b>ACTUARIAL REVIEWS</b>	<b>NUMBER REVIEWED</b>
Actuarial Memorandum for Statement Reserves	96
Regulatory Asset Adequacy Issues Summaries	393
Illustration Certifications	212
Life Insurance and Annuity Policy and Rider Submissions	457

ACTUARIAL REVIEWS	NUMBER REVIEWED
Grant and Annuity Submissions	11
Disability Income Rate Filings	32
Long Term Care Rate Filings	77
Credit Insurance Rate Deviation Filings	7
Separate Account GIC filings [CA Bulletin 95-8]	1
Schedule P Loss Review Compilations	313
Assisted FED on Financial Examinations	25

## **OFFICE OF PRINCIPLE-BASED RESERVING**

The Office of Principle-Based Reserving (OPBR) is responsible for reviewing life insurance companies' principle-based reserves and related calculations for compliance with Principle-Based Reserving (PBR) requirements.

PBR has introduced increased complexity into reserve calculations and has increased flexibility on the part of each company in the selection of reserving systems, models, methodologies, and assumptions. PBR became effective in 2017, although there was a three-year transition period whereby companies were allowed to defer implementation of PBR for one, two, or three years at their option. For the first valuation date of 12/31/2017, there were 20 companies that performed PBR. By the end of the transition period in 2020, around 165 companies were performing PBR. Some of these companies are reviewed by other states or by the NAIC, but the vast majority of PBR reviews (around 130 of them) are performed by OPBR (over 90 in a primary reviewer capacity and the rest as a secondary reviewer).

OPBR is responsible for the review of PBR Actuarial Reports submitted by California licensed domestic and non-domestic life insurance companies for compliance with all PBR Actuarial Report requirements. OPBR is also responsible for the review of company PBR modeling procedures, controls, and oversight for compliance with the requirements for PBR model governance. OPBR performs both off-site and on-site (either virtually or physically) company reviews related to PBR. Furthermore, OPBR actively participates in the NAIC's continued development of requirements and guidance on principle-based reserving (e.g., *Valuation Manual* revisions, interpretation, and guidance). Beginning in 2019, the scope of OPBR's responsibilities expanded to include the review of long-term care (LTC) insurance reserves and models for California licensed domestic and non-domestic companies issuing or renewing LTC policies. Approximately 50 LTC companies are in scope for OPBR's review annually.

2023 ANNUAL REPORT  
**LEGAL BRANCH**

## LEGAL BRANCH

The Legal Branch ensures compliance with the California Insurance Code and related laws that apply to the business of insurance by all insurers, insurance agents and brokers, and any other person or organization engaging in or applying to engage in the business of insurance in California. The Legal Branch serves an integral part of the Department's mission by:

- Litigating enforcement actions
- Reviewing and analyzing certain insurance policies to determine whether the policy should be approved for sale to consumers
- Ensuring rate filings comply with the requirements of Proposition 103
- Providing legal assistance to other branches of the Department
- Supporting the Department's Fraud Division in the prevention of insurance fraud
- Handling corporate licensing applications and providing governance oversight in order to ensure insurer compliance with all relevant state laws.

The Legal Branch also assists with the promulgation of regulations implementing California statutes and provides legal services to the Department relating to service of process and records requests. The Legal Branch is divided into ten bureaus:

- Auto Enforcement Bureau
- Corporate Affairs Bureau I
- Corporate Affairs Bureau II
- Enforcement Bureau Oakland
- Enforcement Bureau Sacramento
- Fraud Liaison Bureau
- Government Law Bureau
- Health Policy Approval Bureau
- Policy Approval Bureau
- Rate Enforcement Bureau

### **AUTO ENFORCEMENT BUREAU**

The Auto Enforcement Bureau (AEB) handles all aspects of litigation and enforcement known as “compliance” cases. AEB attorneys prepare and file pleadings and represent

the Commissioner in administrative hearings in disciplinary actions against both licensed and unlicensed insurers and producers, including the revocation or denial of licenses and imposing fines for unfair claims practices. In conjunction with representation from the California Attorney General’s Office, AEB lawyers also work on civil litigation that may arise from enforcement actions.

An additional responsibility for AEB are compliance and license application cases for entities and individuals in the Vehicle Service Contracts (VSC) industry.

Beyond its core function as an enforcement litigation bureau, AEB generally provides legal opinions to the Commissioner and to the various divisions of the Department; provides support for investigations of producers and examinations of insurers; assists with the development of regulations; and represents the Department in adverse personnel actions as needed.

**AUTO ENFORCEMENT BUREAU STATISTICS  
CALENDAR YEAR 2023**

RESOLUTION OF ENFORCEMENT CASES	MATTERS CLOSED
Order of Revocation	25
Order of Revocation / Issuance of Restricted License	22
Order of Revocation / Issuance of Restricted License with fines	5
Order of Denial	20
Order of Denial / Issuance of Restricted License	19
Order of Suspension	4
Order of Dismissal	2
Cease and Desist	5
Order for Monetary Penalty and/or Reimbursement	2
Miscellaneous Orders	491
Warning	11
License Application Granted	3
License Application Withdrawn	2

<b>RESOLUTION OF ENFORCEMENT CASES</b>	<b>MATTERS CLOSED</b>
License Surrendered	6
No Disciplinary Action Taken	14

**CORPORATE AFFAIRS BUREAU I**

The Corporate Affairs Bureaus protect California consumers through licensing, oversight, and enforcement. These activities protect insurer solvency and require the conduct of company affairs in accordance with the law. The Corporate Affairs Bureau I (CAB I) concentrates on the areas of surplus lines, risk retention and risk purchasing groups, title and underwritten title companies, insurer name approvals, and premium tax issues. In addition, CAB I reviews applications filed by insurance companies seeking approval to issue securities, mergers, acquisitions, inter-affiliate service agreements, extraordinary dividend payments, and other insurance holding company act filings.

**CORPORATE AFFAIRS BUREAU II**

The Corporate Affairs Bureau II (CAB II) concentrates on the areas of reinsurance, non-standard company structures, and life settlements. In addition, CAB II handles insurance company licensing and oversight and provides legal services to the Financial Surveillance Branch’s Early Warning Team and to the Department’s Conservation & Liquidation Office (CLO). The CLO conserves and manages insurers found to be in a financially hazardous condition such that further transaction of business would pose a risk to policyholders, creditors or to the public and in the event the insurance company cannot be rehabilitated, the CLO liquidates the insurer. The goal is to protect those stakeholders, and in the case of liquidation, maximize return to policyholders and creditors. In addition, CAB II reviews securities permits, mergers, acquisitions, inter-affiliate service agreements, extraordinary dividend payments, and other insurance holding company act filings.

**CORPORATE AFFAIRS BUREAUS STATISTICS  
CALENDAR YEAR 2023**

<b>TYPE</b>	<b>BEGIN # ASSIGNED CASES</b>	<b>ASSIGNED</b>	<b>CLOSED</b>	<b>END # ASSIGNED CASES</b>
Accredited Reinsurer	0	1	1	0

<b>TYPE</b>	<b>BEGIN # ASSIGNED CASES</b>	<b>ASSIGNED</b>	<b>CLOSED</b>	<b>END # ASSIGNED CASES</b>
Accredited Reinsurer Renewal	2	26	22	6
Advisory Organization License	1	0	1	0
Amended Deed of Trust	0	0	0	0
C/A Amend-Add Line	8	6	12	2
C/A Amend-Delete Line	3	4	2	5
C/A Amend-Domestic Change 709.5	0	1	1	0
C/A Amend-Name	8	19	23	4
C/A Amend-Non-Domestic Re-domicile	4	17	14	7
Certificate of Authority	8	19	22	5
Certificate of Authority Status - 700C	9	6	11	4
Certified Reinsurer	1	0	1	0
Certified Reinsurer Renewal	5	26	20	11
Custodian Qualification	0	2	2	0
Custody Agreement	2	7	9	0
Exemption – Certificate of	0	0	0	0
Failure to Make Required Filing	0	0	0	0
Grants/Annuities - C/A	7	4	8	3

Legal Branch

TYPE	BEGIN # ASSIGNED CASES	ASSIGNED	CLOSED	END # ASSIGNED CASES
Grants/Annuities-Amended C/A	0	1	0	1
HC Disclaimer of Affiliation .4l	5	17	12	10
HC Exempt - Comm. Domiciled Status .14b	0	1	0	1
HC Exempt – Form A .2g	1	3	2	2
HC Extraordinary Dividend .5g	0	6	5	1
HC Investments .5b7	0	0	0	0
HC Guarantees .5b5	0	3	3	0
HC Mgt. Serv./Cost Share Agmt .5b4	33	110	110	33
HC Misc.	1	2	1	2
HC Reinsurance .5b3	6	18	19	5
HC Sales Purchases Loans .5b1	3	20	19	4
Holding Companies Acquisition	3	6	6	3
Home Protection	0	2	2	0
Letter of Credit	0	6	6	0
Life Settlement Provider	0	4	3	1
Merger	3	11	9	5
Miscellaneous	8	22	25	5
Motor Club License	1	0	1	0



<b>TYPE</b>	<b>BEGIN # ASSIGNED CASES</b>	<b>ASSIGNED</b>	<b>CLOSED</b>	<b>END # ASSIGNED CASES</b>
Motor Club Service Contract	0	23	20	3
Name Approval Reservation	31	85	93	23
Organizational Permit	1	1	1	1
Purchasing Alliance Registration	0	0	0	0
Reciprocal Reinsurer	14	14	25	3
Reciprocal Reinsurer Renewal	8	40	30	18
Rein/Sale-Purchase/Transfer-Assumption	4	13	10	7
Risk Purchasing Group	6	8	11	3
Risk Purchasing Group Renewal	39	278	293	24
Risk Retention Group	6	6	11	1
Risk Retention Group Renewal	66	137	133	70
S810	0	0	0	0
Stock Permit	2	3	1	4
Stock Permit – Amend	0	0	0	0
Surplus Line Filing	12	13	14	11
US Trust	0	0	0	0
US Trust Amendment	0	0	0	0

TYPE	BEGIN # ASSIGNED CASES	ASSIGNED	CLOSED	END # ASSIGNED CASES
US Trust Renewal	1	16	9	8
UTC-Amend License	2	8	4	6
UTC-License	1	2	2	1
UTC-Organizational Permit	1	2	1	2
UTC-Permit	0	0	0	0
UTC-Transfer of Shares	2	13	8	7
Variable Annuity	1	0	1	0
Variable Annuity – Amend	13	87	89	11
Variable Life	0	0	0	0
Variable Life – Amend	11	43	48	6
WC Deposit Agreement	1	9	9	1
Withdrawal	6	15	13	8
<b>Total</b>	<b>350</b>	<b>1,186</b>	<b>1,198</b>	<b>338</b>

## **ENFORCEMENT BUREAU OAKLAND**

The Enforcement Bureau-Oakland (EB-OAK) litigates enforcement actions against insurance companies, insurance producers and other licensees. EB-OAK protects policyholders, prospective policyholders, consumers, and the California insurance marketplace by ensuring that insurance producers, other licensees, and insurers comply with the Insurance Code and other laws and regulations that apply to the business of insurance. EB-OAK specializes in complex cases referred by the Department’s Investigation Division, including cases involving annuities. EB-OAK prosecutes cease and desist orders against unlicensed insurance producers and against organizations that are illegally operating as insurance companies. EB-OAK brings administrative actions to enforce Insurance Code provisions regarding unfair insurance practices. EB-OAK advises the Insurance Commissioner as to matters involving the California Automobile Assigned Risk Plan. In conjunction with representation from the California

Attorney General’s Office, EB-OAK attorneys also work on civil litigation involving the Department.

In addition to its core enforcement functions, EB-OAK provides legal opinions to the Insurance Commissioner and to the various divisions of the Department; provides support for investigations of producers and examinations of insurers; assists with the development of regulations; analyzes legislation; and represents the Department in adverse action matters involving employees as needed.

**Enforcement Bureau Oakland Statistics**

- During the 2023 year, 241 cases were received and action was completed on 250.
- In 2023, EB-OAK concluded 92 administrative hearings.
- Monetary penalties, cost reimbursement, and restitution assessed through negotiated settlements and/or hearings amounted to \$617,940.

**ENFORCEMENT BUREAU OAKLAND STATISTICS  
CALENDAR YEAR 2023**

<b>RESOLUTION OF ENFORCEMENT CASES</b>	<b>MATTERS CLOSED</b>
Order of Revocation	34
Order of Revocation/Issuance of Restricted License	22
Order of Revocation/Issuance of Restricted License with fines	9
Order of Denial	21
Order of Denial/Issuance of Restricted License	21
Order of Denial/Issuance of Restricted License with fines	0
Order of Suspension	10
Order for Monetary Penalty and/or Reimbursement	8
Order for Monetary Penalty in lieu of Suspension	0
Order of Dismissal	3
Cease and Desist	5

<b>RESOLUTION OF ENFORCEMENT CASES</b>	<b>MATTERS CLOSED</b>
Order Removing Restrictions Granted	2
Order Removing Restrictions Denied	0
Rewritten Decision	1
Miscellaneous	11
No Disciplinary Action Warranted	31
Warning	4
License Lapsed	0
License Surrendered	6
License Application Granted	3
License Application Withdrawn	0
Barred from Licensure/Exam	3

**ENFORCEMENT BUREAU SACRAMENTO**

The Enforcement Bureau Sacramento (EB-SAC) ensures compliance with the California Insurance Code by all admitted insurers, insurance agents and brokers, and any other person or organization engaging in the business of insurance in California. EB-SAC litigates enforcement actions against insurance producers, insurers, and others conducting insurance business in California. EB-SAC assists the Licensing Services Division in evaluating qualifications for licensure of producer applicants and other licensees who have a criminal record or a record of professional license discipline, and reviews all legal documents implementing recommended action regarding those applicants and licensees.

In addition to its core enforcement functions, EB-SAC works closely with the Investigations Division, Consumer Services Division, and the Curriculum Officer and Review Bureau to provide legal support and direction. EB-SAC also assists the Legislative Branch with analyzing proposed legislation and developing regulations when necessary. EB-SAC regularly represents the Department in actions in front of the Administrative Hearing Bureau and the Office of Administrative Hearings as well as coordinating with the Attorney General’s Office on writs of mandate.

**Enforcement Bureau Sacramento Statistics**

- During the 2023 year, 1,148 cases were received and action was completed on 1,128.
- In 2023, EB-SAC concluded 25 administrative hearings.
- Monetary penalties, cost reimbursement, and restitution assessed through negotiated settlements and/or hearings amounted to over \$3,000,000.

**ENFORCEMENT BUREAU SACRAMENTO STATISTICS  
CALENDAR YEAR 2023**

<b>RESOLUTION OF ENFORCEMENT CASES</b>	<b>MATTERS CLOSED</b>
Order of Revocation	196
Order of Revocation / Issuance of Restricted License	15
Order of Revocation / Issuance of Restricted License with fines	15
Order of Denial	137
Order of Denial / Issuance of Restricted License	151
Order of Denial / Issuance of Restricted License with fines	38
Order of Suspension	17
Order of Dismissal	9
Cease and Desist	7
Order for Monetary Penalty and/or Reimbursement	53
Order Removing Restrictions Granted	162
Miscellaneous Orders	9
Warning	30
Voluntary Withdrawal of Application	14
No Disciplinary Action Warranted	38
No AR Action/Referred for Disciplinary Proceeding	174

RESOLUTION OF ENFORCEMENT CASES	MATTERS CLOSED
Order Granting 1033 Consent	32
Order Denying 1033 Consent	13
Barred from Licensure/Exam	3
License Surrendered	9

**FRAUD LIAISON BUREAU**

The Fraud Liaison Bureau (FLB) provides legal support to the Department’s Fraud Division (FD) and represents the State directly in cases brought pursuant to the Insurance Frauds Prevention Act, Insurance Code section 1871.7.

FLB provides legal advice related to FD's peace officer functions such as search and seizure, and unique employment-related issues due to the status of its investigators as peace officers. The FLB coordinates with the Office of the Attorney General when FD employees are involved in civil litigation cases. This type of litigation often involves the conduct of an employee in the performance of his or her duties on the job.

**Qui Tam Cases**

FLB handles numerous civil cases, often filed by private party whistleblowers alleging violations of the Insurance Frauds Prevention Act (IFPA). These cases brought by private party whistleblowers are referred to as “qui tam cases”. Qui tam cases are complex civil actions. Civil qui tam complaints brought by private parties must be served on the Commissioner. The cases cover a large range of alleged unlawful conduct including kickbacks in the sales and promotion of pharmaceuticals, misleading billing practices by hospitals, fraud by medical clinics, and the unlawful promotion and sale of medical devices. The Commissioner may intervene in these cases. These cases can involve large companies that have been accused of engaging in false and misleading practices.

On December 31, 2023, there were 189 active qui tam cases pending.

**Commissioner’s Intervention** – The Commissioner represents the interests of the State in IFPA cases. In cases in which the Commissioner has not intervened, the Commissioner must approve the allocation of funds that result from a settlement or judgment against the defendant(s) to ensure that the State’s interest in the case is protected.

**FRAUD LIAISON BUREAU WORKFLOW  
CALENDAR YEAR 2023**

<b>TYPE</b>	<b>MATTERS OPENED</b>	<b>MATTERS CLOSED</b>	<b>PENDING AT YEAR-END</b>
Qui Tam Litigation	39	43	189
Qui Tam Investigative Hearing	10	11	34
Non-Qui Tam Civil Litigation	2	0	3
<b>Total</b>	<b>51</b>	<b>54</b>	<b>226</b>

**GOVERNMENT LAW BUREAU**

The Government Law Bureau (GLB) provides legal support to the Legislative Office and for the Department’s rulemaking program. GLB personnel assist the Special Counsel to the Commissioner with the oversight and management of all Department rulemaking actions. An attorney in GLB serves as the Department’s Privacy Officer, and GLB recently expanded the Privacy Office by adding an attorney who serves as the Assistant Privacy Officer. Consequently, GLB personnel are responsible for implementing the Department’s privacy policy and provide advice to the Department on questions relating to the protection of personally identifiable information contained within the Department’s records. Staff in GLB monitor the workers’ compensation system, assist the Commissioner with his review of the workers’ compensation advisory pure premium rate, and preside over the hearing for the annual Worker’s Compensation Insurance Rating Bureau’s regulatory filing. GLB also handles all requests made pursuant to the Public Records Act, serves as the Department’s agent for service of process, and is the Department’s primary custodian of records.

**GOVERNMENT LAW BUREAU STATISTICS  
CALENDAR YEAR 2023**

<b>NAME</b>	<b>ASSIGNED</b>	<b>CLOSED</b>
Litigation	2	0
Public Records Act Request	707	707
Records Request from Governmental Agency	178	178

NAME	ASSIGNED	CLOSED
Subpoena	99	96
Substituted Service of Process	34	34
Legislation Analyses/Proposals	106	106
Regulation	2	2
<b>Total</b>	<b>1,128</b>	<b>1,123</b>

**HEALTH POLICY APPROVAL BUREAU**

The Health Policy Approval Bureau (HPAB) reviews health insurance and health disability insurance products, such as individual, small group, and large group major medical; specialized health, such as vision and dental; Medicare supplement; student blanket health; and health-related stop-loss for compliance with California law and regulations. HPAB provides information to Department staff and others regarding statutes and regulations pertaining to health insurance. HPAB assists with the development of regulations relating to health insurance law, advertising, and administration; provides Department enforcement units with advice and technical guidance to assist with regulatory actions and examinations of health insurance companies; and analyzes health insurance legislation.

HPAB reviews health insurer network adequacy reporting to confirm that insurers provide consumers with adequate and timely access to health services and, in 2023, analyzed and monitored 26 separate health insurer provider networks.

HPAB also enforces prescription drug coverage laws applicable to health insurers to ensure their prescription drug formularies do not include benefit designs that discriminate based upon health conditions, disability, and other protected characteristics. HPAB continued its partnership with the Department of Clinical Pharmacy at the University of California, San Francisco, to review health insurer formularies for clinically appropriate drug coverage.

**HEALTH POLICY APPROVAL BUREAU STATISTICS  
CALENDAR YEAR 2023**

PRODUCT FILINGS	RECEIVED	CLOSED
Individual and Group Health Insurance	79	82



<b>PRODUCT FILINGS</b>	<b>RECEIVED</b>	<b>CLOSED</b>
Dental Insurance	35	33
Vision Insurance	16	18
Network Adequacy Reporting	69	37
Student Blanket Health Insurance	52	51
Medicare Supplement Insurance	67	73
Medicare Supplement Advertisements	179	177
Health-Related Stop-Loss Insurance	44	45
Other Health Insurance Filings and Reporting	610	661
<b>Total</b>	<b>1,151</b>	<b>1,177</b>

## **POLICY APPROVAL BUREAU**

The Policy Approval Bureau (PAB) reviews non-health disability and life insurance products for compliance with California law and regulations. Non-health disability products include accident, accidental death and dismemberment, disability income, long-term care, disability supplemental to life insurance, credit insurance, and the disability component of travel insurance. Life insurance products include group life insurance, variable life insurance, variable annuities, modified guaranteed annuities, guaranteed separate account products (including guaranteed investment contracts and synthetic guaranteed investment contracts). PAB works closely with the California Partnership for Long-Term Care to jointly regulate Partnership policies. PAB also reviews advertising for long-term care insurance (both standalone and hybrid life long-term care products) and chronic illness accelerated death benefits defined in Insurance Code section 10295, and certain administrative forms, such as insurer name change forms.

PAB advises Department personnel and others regarding statutes and regulations pertaining to life and disability insurance, including providing expert advice and technical guidance to the Department's enforcement staff and consumer services divisions. In addition, PAB develops new statutes and regulations, and assists the Legislative Office with analyzing proposed legislation.

**POLICY APPROVAL BUREAU STATISTICS  
CALENDAR YEAR 2023**

<b>PRODUCT</b>	<b>RECEIVED</b>	<b>CLOSED</b>
Group Non-Health Disability and Group Life	122	74
Supplemental Life Insurance	99	75
Variable Contracts	92	89
Unclassified	89	89
Individual Non-Health Disability	113	91
Individual and Group Credit Insurance	10	8
Long Term Care Insurance	86	69
Fraternal Filings 2202(a)(9)	2	1
<b>Total</b>	<b>613</b>	<b>496</b>

**RATE ENFORCEMENT BUREAU**

The Rate Enforcement Bureau (REB) enforces the provisions of Proposition 103 and other laws pertaining to the availability and affordability of insurance and the rating and underwriting practices of property and casualty insurers. REB provides legal support to the Department’s Rate Regulation Branch, represents the Department in prior approval rate hearings and intervened prior approval rate applications, and represents the Department in administrative enforcement cases alleging rating and underwriting violations. REB provides legal assistance for issues related to the California Earthquake Authority, the Commissioner’s Catastrophe and Climate Change Initiatives, the California Automobile Assigned Risk Plan, and the California Low Cost Automobile Insurance Program.

**RATE ENFORCEMENT BUREAU STATISTICS  
CALENDAR YEAR 2023**

<b>MAJOR ACTIVITIES</b>	<b>MATTERS</b>
<b>Prior Approval Rate Application Challenges:</b>	
Petitions for Hearing Received	17

MAJOR ACTIVITIES	MATTERS
Petitions for Hearing Granted	0
Petitions for Hearing Denied	2
Notices of Hearing Issued	0
Petitions for Hearing Resolved Without Hearing <i>(This number includes prior approval matters that have been resolved but the parties may still be awaiting decisions on intervenor requests for compensation.)</i>	13
Petitions for Hearing Resolved Following Hearing	0
Matters Based on Petitions for Hearing Pending at Year End	7
<b>Regulations:</b>	
Regulation Matters Opened	2
Regulations Approved	0
Regulations Pending	4
<b>Enforcement Matters and Primary Jurisdiction Referrals:</b>	
Enforcement Matters Opened	6
Enforcement Matters Closed	3
Enforcement Matters Pending	7
<b>Civil Litigation and Appeals:</b>	
Matters Opened	2
Amicus Brief Filed	0
Matters Closed	2
Matters Pending	2

2023 ANNUAL REPORT  
**OFFICE *of the* SPECIAL COUNSEL**

## OFFICE OF THE SPECIAL COUNSEL

The Office of the Special Counsel (OSC) provides independent legal advice directly to the Insurance Commissioner, handles various special projects and Commissioner initiatives, advises the Commissioner concerning administrative litigation matters presented to him for a decision, oversees the Department's rulemaking projects, and manages the Department's participation and interaction with the National Association of Insurance Commissioners (NAIC). In 2023, the Office of the Special Counsel also took on the Public Advisor role. The Department's Public Advisor monitors and assists public participation in the administrative process for setting insurance rates under Proposition 103.

### **RULEMAKING PROCEEDINGS (REGULATIONS)**

The OSC oversees the process for promulgating regulations at the California Department of Insurance. This process requires project management, economic analysis, legal research, collaborating with different program areas and subject matter experts, engaging with the insurance industry, consumer advocates and other stakeholders, and navigating the requirements of the Administrative Procedure Act (APA) in conjunction with the Office of Administrative Law (OAL).

In 2023, the Department evaluated or developed 37 rulemaking projects and reviewed and filed 10 rulemaking projects with OAL.

### **Public Meetings of Contemplated Regulations and Completed Rulemaking Examples**

#### Workshop Examining Catastrophe Modeling and Insurance

On July 13, 2023, Commissioner Lara convened a public workshop that focused on exploring insurance companies' use of risk assessment tools in the face of growing climate change threats. The workshop gathered expertise and input to inform future regulations that could benefit consumers through increased insurance coverage options, fair and justified pricing of insurance, and greater recognition by insurance companies of federal, state, and local wildfire safety and mitigation investments.

The July 13 workshop was a continuation of a multi-year effort that Insurance Commissioner Ricardo Lara initiated in 2020 that led to the creation of his first-in-the-nation "Safer from Wildfires" regulations to mandate discounts to homeowners and business owners who engage in wildfire safety and mitigation efforts on their homes, businesses, and properties.

#### Second Workshop Examining Catastrophe Modeling and Insurance

On September 28, 2023, Commissioner Lara convened the Second Catastrophe Modeling and Insurance Workshop, an integral part of his recently announced

Sustainable Insurance Strategy, focused on his ongoing commitment to address climate-intensified wildfire risks and enhance insurance accessibility and affordability for all Californians.

Specifically, the Second workshop focused on understanding how the use of catastrophe modeling in the rate approval process to develop an aggregate catastrophe adjustment and aggregate losses will impact insurance availability and affordability over time and how the Department can ensure the integrity of model projections upon implementation. The Second workshop also explored, among other issues, the review of models by experts, the remedy when models produce different results, and the data being used within the models to generate aggregate loss projections.

Held virtually, the Second workshop brought together a diverse range of stakeholders and experts to deliberate on the impact of catastrophe modeling on the insurance marketplace, model review and implementation, and distinctions between private and public models.

The Second workshop was an integral part of Commissioner Lara's broader strategy, aimed at fostering a resilient insurance marketplace that protects and serves the needs of all Californians. The input received at the Second workshop, and throughout this multi-year effort, was vital to shaping a sustainable and competitive insurance market that benefits our communities and safeguards homeowners and businesses from the growing risks posed by climate change.

### **National Association of Insurance Commissioners (NAIC)**

The OSC coordinates the Department's interaction with the NAIC and the Department's participation on NAIC committees, task forces, and working groups. As the largest insurance market in the nation, California plays a significant role in helping shape model laws and regulatory policy. The Department's work with the NAIC involves active participation in national meetings and conference calls with regulators from other states. In 2023, California served as Chair, Vice Chair and/or Member on 77 out of the 114 NAIC Committees, Task Forces and Working Groups and monitored approximately 18 others. California served in a leadership capacity as Chair or Vice Chair on 7 Committees, Task Forces, and Working Groups. The OSC also directly supported the Deputy Commissioner of the Climate and Sustainability Branch along with the Commissioner in his roles as Co-Chair of the Climate and Resiliency (EX) Task Force and Chair of the Cannabis Insurance (C) Working Group.

### **PUBLIC ADVISOR**

Proposition 103, passed by California voters in November 1988, was intended to protect consumers from arbitrary insurance rates and practices, to encourage a competitive marketplace and to ensure that insurance is fair, available and affordable for all

Californians. As part of ensuring the aforementioned goals, Proposition 103 authorized a process for the public participation in the administrative process for setting insurance rates. The Public Advisor monitors and assists public participation in the administrative process for setting insurance rates, such as ensuring that only those issues raised in the rate application process serve as the basis for intervenor participation in rate filings. The Public Advisor determines whether an intervenor actually represents the interests of consumers by reviewing potential intervenors' request for finding of eligibility, which includes information such as corporate records, consumer protection activities, and funding sources. The Public Advisor supports Department functions, such as publishing past awards of intervenor compensation and previous petitions to intervene, through which potential intervenors can use to become familiar with the process and participate as intervenors. Similar to publicly accessible information regarding insurers, information regarding consumer representatives is important to ensure that all participants in the rate application process are complying with applicable statutes and regulations.

2023 ANNUAL REPORT  
**POLICY *and* LEGISLATION BRANCH**



## POLICY AND LEGISLATION BRANCH

Established under Commissioner Lara, the Policy and Legislation Branch (PLB) oversees major policy initiatives and special initiatives of the Commissioner that are Department-wide and across multi-branches in line with the Commissioner’s vision and main goals. PLB houses the Legislative Office, the Insurance Diversity Initiative, the California Organized Investment Network Program, the Health Equity and Access Office, and the Health Actuarial Office, as well as helps coordinate the implementation of major chaptered legislation.

### **LEGISLATIVE OFFICE**

The Legislative Office (LO) represents the Commissioner and the California Department of Insurance (CDI) in all matters pending before the California State Legislature, the Governor’s Office and Administration, and the U.S. Congress. Its staff is responsible for advancing CDI’s legislative agenda, establishing effective working relationships with interested stakeholders in the legislative process, and providing technical assistance to elected officials and their staff on insurance related issues.

LO staff are responsible for coordinating departmental legislative proposals and the analyses of introduced legislation likely to have a potential impact on the Department. The staff also coordinates and prepares testimony and materials for legislative hearings and participates in meetings with authors, sponsors, and advocates of legislation affecting the Department. In addition, staff conducts in-house training on legislative bill analysis and the legislative process.

Under the leadership of Commissioner Lara, CDI sponsored eleven (11) bills in 2023, five (5) of which were signed into law by Governor Gavin Newsom, with three (3) bills vetoed and three (3) bills turning into two-year bills.

In addition to strongly advocating for CDI’s 2023 sponsored bills, the Legislative Office closely monitored, provided technical assistance to, took positions on, and/or advocated for or against 376 bills this past legislative calendar. This included 191 bills that made it to Governor Newsom’s desk, 146 of which were signed. The other 185 bills that the Legislative Office engaged on or tracked were introduced and amended throughout this year yet did not make it through the legislative process and to the Governor’s desk.

The following are the eleven (11) CDI sponsored bills, five (5) of which became law:

1. **AB 451 authored by Assemblymember Lisa Calderon (D-Whittier) on “Insurance License Examinations” - Signed by Governor as Chapter 136.** Permanently continues the CDI licensing program offering a Spanish language option for life and accident and health or sickness license examinations that are offered in English. In addition, AB 451 expands the Spanish language option to

include property and casualty license examinations, as well as requires CDI to offer license examinations for all its licenses in Simplified Chinese, Vietnamese, and Korean, beginning January 1, 2024, and Tagalog beginning July 1, 2024. By providing license examinations in the top five languages spoken at home by California residents, this new law will provide an opportunity for those individuals to become licensed insurance producers and for consumers to speak with agents who know their language.

2. **AB 844 authored by Assemblymember Mike A. Gipson (D-Carson) on “Zero-Emission Truck Insurance” - Signed by Governor as Chapter 347.** Directs CDI to collect data on the availability of insurance on the emerging zero-emission truck technologies sector and the role of insurance in meeting emission reduction targets. In consultation with the Air Resources Board, CDI will use the collected data, along with additional insurance information, to create a strategy that would address current and future insurance gaps for adopting this new clean technology. The strategy would be informed by the number of insurance companies covering this product and losses in the market. It would also determine available insurance coverage limits and monitor accessibility as the percentage of zero-emission trucks increases in accordance with state goals.
3. **AB 917 authored by Assemblymember Liz Ortega (D-San Leandro) and Senator Susan Rubio (D-Baldwin Park) on “Low-Cost Automobile Insurance Program” - Signed by Governor as Chapter 350.** Removes the sunset of the California Low Cost Auto Insurance Program, making the program permanent. Additionally, requires CDI to produce a report every five years to provide an update on the program to the State Legislature.
4. **AB 970 authored by Assemblymember Luz Rivas (D-Sylmar) on “Climate and Sustainability Insurance” - Vetoed by Governor.** Would have bolstered community resilience across the state by establishing and administering the “Climate and Sustainability Insurance and Risk Reduction Program” at CDI. Specifically, an initial eight climate insurance pilot projects across the state would have been created to reduce physical risks from flooding and extreme heat and the protection gap in communities with high risks and low insurance uptake. These projects would have provided tools and incentives for residents, small businesses, and communities to reduce risk before the next catastrophe, and to rebuild stronger after climate disasters.
5. **AB 1140 authored by the Assembly Insurance Committee on “Insurance” - Signed by Governor as Chapter 204.** Remedies several issues identified and vetted by CDI and stakeholders to clarify and clean-up various technical Insurance Code sections, thereby not only benefiting CDI but also having a positive impact on the lives of everyday Californians.

6. **AB 1432 authored by Assemblymember Wendy Carillo (D-Los Angeles) on “Health Care Coverage” - Vetoed by Governor.** Would have required all out-of-state health care insurance policies and health care service plans that provide coverage to California residents to comply with California laws that require coverage of abortion services and gender affirming care. Currently, policies issued outside of California from an employer whose principal place of business and majority of employees are outside California are not required to comply with California laws. We argued that AB 1432 was necessary due to the ongoing onslaught of laws and bills in other states attacking bodily autonomy and integrity when it comes to these two specific forms of coverage. In addition, we argued that failure to cover these two particular types of coverage is discriminating on the basis of sex, on the basis of gender identity, and on the basis of gender expression.
7. **AB 1645 authored by Assemblymember Rick Chavez Zbur (D-Hollywood) on “Health Care Coverage Cost Sharing” - Vetoed by Governor.** Would have removed cost-sharing requirements for preventive care under the Affordable Care Act, including sexually transmitted infection (STI) screenings, applied to both health insurance policies and health care service plans. We argued that Californians most affected by STIs include people of color, young people, transgender and gender nonconforming people, and people who use drugs; HIV, substance use, and viral hepatitis also affect similar populations as STIs. Underlying these disparities is a lack of primary and preventive health care due to a range of factors including family rejection, unemployment, homelessness, or lack of access to culturally competent local services or providers. We advocated that every Californian deserves access to comprehensive, inclusive, and affordable preventive care, which is critical to identifying and addressing health challenges before they become serious, particularly for these and other marginalized populations.
8. **SB 263 authored by Senator Bill Dodd (D-Napa) on “Annuities and Life Insurance Policies” - Remained in Legislature as 2-Year Bill.** Would adopt the 2020 version of the National Association of Insurance Commissioners’ (NAIC) Suitability in Annuity Transactions Model Regulation, along with additional consumer protections exceeding the model regulation, to avoid federal government preemption by February 2025 of fixed annuities, and enhance existing consumer protections offered to consumers purchasing annuities and life insurance products.
9. **SB 427 authored by Senator Anthony Portantino (D-Burbank) on “Health Care Coverage of Antiretroviral Drugs” - Remained in Legislature as 2-Year Bill.** Would eliminate cost-sharing and reduce access barriers to Pre-Exposure Prophylaxis (PrEP) and Post-Exposure Prophylaxis (PEP) in preventing the

spread of HIV covered by health insurance policies and health care service plans. While tremendous progress has been made in reducing HIV transmission since the height of the epidemic, it continues to disproportionately impact historically disadvantaged communities in California. In addition, cost and access are two major barriers to lifesaving medications. SB 427 would eliminate barriers to these necessary and lifesaving medications in health insurance coverage.

10. **SB 505 authored by Senator Susan Rubio (D-Baldwin Park) on “Property Insurance” - Signed by Governor as Chapter 180.** Requires the California FAIR Plan to develop and implement a commercial clearinghouse program to help reduce the number of existing FAIR Plan commercial policies and provide the opportunity for admitted insurers to offer commercial insurance policies to FAIR Plan policyholders.
11. **SB 729 authored by Senator Caroline Menjivar (D-San Fernando Valley) on “Healthcare Coverage Treatment for Infertility” - Remained in Legislature as 2-Year Bill.** Would require health insurance policies and health care service plans to provide coverage for fertility care, including treatment for infertility and in vitro fertilization (IVF). This measure would ensure that LGBTQ+ couples are not unfairly excluded from coverage. SB 729 is critical to achieving full lived equality for LGBTQ+ people and advancing reproductive freedom for all Californians.

## **INSURANCE DIVERSITY INITIATIVE**

Throughout Commissioner Lara’s leadership, advancing diversity, equity, and inclusion (DEI) with respect to supplier and board diversity in California’s insurance industry remains of paramount importance. Despite recent setbacks in DEI under the backdrop of a polarized socio-political business landscape, the Department reaffirms its commitments to ensuring greater equity and access for California’s small and/or diverse businesses.

The disproportionate number of diverse businesses that are still contending with the adverse effects of COVID-19 coupled with boardrooms that still struggle to reflect the changing demographics in our state both demonstrate the saliency of creating goals that spur progress and scale our impact – all while underscoring the critical mission of the Department’s nationally-recognized Insurance Diversity Initiative (Initiative). Since 2011, the Initiative focuses on accelerating the level of diversity and equity within California’s \$413 billion insurance industry by advancing supplier and board diversity.

Namely, these efforts by Department staff and the Commissioner-appointed Insurance Diversity Task Force are meant to encourage diverse board leadership and increased procurement from businesses owned by women, LGBTQ+ people, veterans, disabled veterans, and historically underrepresented communities, or collectively referred to as “diverse suppliers.” The Initiative accomplishes these goals by conducting surveys to

collect and publicly disseminate information about the diversity efforts of insurers, as well as through spearheading public policy, outreach, partnerships, and Department-hosted events. Throughout 2023, Commissioner Lara strengthened his leadership role on the Special Executive (EX) Committee on Race & Insurance within the NAIC by extolling best practices of the Initiative. During that year, the Department was tasked with co-chairing the NAIC's Member Diversity Leadership Forum – a network of state member jurisdictions with a focus on sharing DEI best practices and resources. Commissioner Lara continues to demonstrate his unwavering commitment to creating greater equitable opportunities for diverse businesses in California and among insurer board members.

Collectively, the Initiative is comprised of the following components:

- **Insurance Diversity Task Force**

- A Commissioner-appointed 15-member advisory group comprised of diversity advocates, supplier and board diversity experts, community leaders, and insurer representatives. In 2022, Commissioner Lara reappointed five (5) members to the Task Force.
- Building on its prior successes, the Initiative capped off its 2022-2023 Strategic Plan — one that builds upon the progress and includes more innovative goals for increasing board diversity and positively impacting supplier diversity. This plan provides a roadmap for the years ahead, and is based on four (4) strategic pillars of impact that focus on: 1) Education and Awareness; 2) Community Engagement; 3) Access to Opportunities; and 4) Recognition & Accountability. One of the critical milestones was the launch of the first-ever Insurance Diversity Index.

- **Insurance Diversity Surveys**

- Since 2012, with the enactment of AB 53 (Solario, Chapter 414, Statutes of 2012), the Department has administered insurance diversity surveys. The transparency achieved through AB 53 highlighted important findings on diversity within the insurance industry.
- In 2019, following the sunset of AB 53 and prior unsuccessful legislative efforts, Commissioner Lara sponsored SB 534 (Bradford, Chapter 249, Statutes of 2019) which was signed into law by Governor Gavin Newsom. SB 534 extended and codified components of the insurance diversity survey; expanded diverse business definitions to include LGBT- and veteran-owned businesses; and codified the Insurance Diversity Task Force.
- In 2021, building upon the success of enacted SB 534, Commissioner Lara sponsored SB 655 (Bradford, Chapter 390, Statutes of 2021) which was

signed into law by Governor Newsom. SB 655 expanded disclosures and reporting requirements for underrepresented groups on insurance company boards, thereby cementing Commissioner Lara’s legacy of bringing greater protections to consumers, including historically underserved groups within California’s insurance industry.

- In 2022, the Initiative administered the statutorily-codified California Insurance Diversity Survey (CAIDS) which mandates reporting from California admitted insurance companies that meet the prerequisite \$75 million California premium reporting threshold. The CAIDS yielded report submissions from 376 and 386 insurance companies in 2020 and 2021, respectively. CAIDS data revealed that procurement from diverse suppliers among California insurance companies reached \$3.1 billion, an increase of 233% (\$930 million in 2012 to \$3.1 billion in 2021) since its inception.
- In 2023, Commissioner Lara further championed the socio-economic inclusion of persons with disabilities and persons with disabilities business enterprises by supporting the Assembly Insurance omnibus bill (Assembly Bill 1140) which was signed into law by Governor Newsom.

- **Insurance Diversity Summit**

- Since 2012, the Department has hosted an annual summit that brings together insurance industry experts, diverse businesses, diverse chambers of commerce, government leaders, and other diversity stakeholders for an opportunity to engage in meaningful discussions, benefit from networking opportunities, and inspire ideas for measurable progress within the insurance industry.
- In 2023, the Department hosted its annual Insurance Diversity Summit (in-person since the pandemic) to share the latest insights, policies, and opportunities that impact supplier and board diversity issues within California's multi-billion-dollar insurance industry for women-, minority-, LGBTQ-, veteran-, disabled veteran-, and persons with disabilities businesses, including those owned by people from historically underrepresented communities, among other key industry stakeholders. The Summit's theme of “Setting the Pace” included remarks from the Director of Diversity, Equity & Inclusion of the National Association of Insurance Commissioners (NAIC), and the Chief Executive Officer of a major insurance company. Over the years, the Summit has grown into a critical engagement opportunity among key diversity stakeholders from both the public and private sectors for a series of keynotes, workshops, and conversations that magnify the importance of creating a culture where diversity is more than a buzzword, but a business imperative, starting from the boardroom to the supply chain.

The Summit was free of charge to members of the public, and included Matchmaking Roundtables, and engaging webinars led by experts on the topics of race and diversity in the insurance industry, how to do business with insurance companies, strategies to embed the tenets of diversity, equity, and inclusion into organizational culture, the impact of artificial intelligence, and more.

- **Special Mission-Critical Projects**

- The Insurance Diversity Initiative also leads and/or participates in building partnerships that are imperative to our mission.
- To proactively address the disproportionate negative impact of COVID-19 to California's diverse business community, the Initiative deepened its partnership with the Statewide Coalition on Diversity Initiatives (Coalition) that is committed to increasing the economic impact of the state's small and/or diverse businesses by expanding access to business resources and procurement opportunities across California's Executive Branch. The Coalition is comprised of the following state agencies:
  - California Public Utilities Commission
  - California Office of the Small Business Advocate
  - California Department of General Services
  - California Department of Transportation
  - California Department of Healthcare Access & Information (formerly the Office of Statewide Health Planning and Development)
- In 2022 and 2023, Coalition members led a series of workshops specifically designed to educate and inform diverse suppliers of the state's procurement and funding resources as part of the Department's annual Insurance Diversity Summits. In 2023, the Coalition created a project management plan, convened a planning committee, and began investing extensive time and resources into a prospective statewide procurement event that is slated for March 2024. The goal of this event is to connect California's small and/or diverse businesses with education and resources that will position them for contracting success.
- Other projects include the *Diversity Digest*, a monthly e-newsletter that is distributed to over 5,000 stakeholders on our listserv; regular updates to the [Insurance Diversity Initiative's website](#); and, attendance at local, national and statewide conferences, and webinars in order to continue to increase our

knowledge of best practices, support our mission of increasing supplier and board diversity, expand our network of stakeholders, and participate in legislative activities as it relates to the mission of the Initiative.

### **Setting the Standard for Excellence in Supplier and Board Diversity Commitments**

Throughout 2023, Commissioner Lara continued to deepen his long-standing commitments to advancing board diversity within the insurance industry by extolling the value of community engagement in elevating the significance of the mission of the Initiative by sharing best practices with fellow commissioners and diversity stakeholders on both a state, national, and international level. In particular, Commissioner Lara demonstrated the importance of creating equity in this industry through the following supplier and board diversity commitments:

- **Scaling California’s Nationwide Impact at the NAIC Special Executive (EX) Committee on Race and Insurance** – With the continuation of the first-ever Special EX Committee on Race and Insurance that was created in 2020, the Initiative provided critical subject matter expertise to the Commissioner as part of the Committee’s Workstream One that is charged with researching and analyzing the level of diversity and inclusion within the insurance industry. In July 2023, California’s Director of the Insurance Diversity Initiative became the Co-Chair of the NAIC Member Diversity Leadership Forum, enabling the Department to further magnify the impact of its DEI initiatives. In collaboration with the NAIC, the forum launched its inaugural state insurance regulator DEI coursework designed to provide a foundation for regulators to understand the principles of DEI and its impact in the workplace. CDI led its peers across the nation with its engagement scores, as demonstrated by a record-setting number of course registrations from over 600 CDI employees, representing a 50% engagement rate. Remarkably, the 600+ employees represented more than 70% of the branches across CDI, sending a clear signal that diversity was important to many employees across the Department.
- **Launch of Inaugural Insurance Diversity Index** –The Diversity Initiative collaborated with cross-functional leadership at CDI alongside the Insurance Diversity Task Force to successfully launch the first-ever Insurance Diversity Index – a benchmarking tool that measures the progress that insurance companies are making on their commitments to board diversity, supplier diversity, and community impact investments. For consumers, the Index fosters greater transparency of insurance companies’ policies & practices. The Index was the result of a multi-year engagement effort with community leaders, industry, and key supplier & board diversity stakeholders. Upon its launch, the Index received widespread support, including from California’s Attorney General Roba Bonta.



- **Magnifying the State of Insurance Diversity on a Global Scale** – To continue strengthening the Department’s role in providing “best in class” of the impact of our policies & programs in advancing supplier & board diversity, the Department shared its key findings & best practices before the International Association of Insurance Supervisors (IAIS) on a webinar entitled “Practices and Developments Supervising DEI in the Insurance Sector.” Insights from the webinar have been used by the Governance & Market Conduct Working Groups, respectively, as part of their ongoing work developing Application Papers.

### **Diversity in California’s Insurance Industry**

The successes of the Initiatives strategic priorities in tandem with Commissioner Lara’s sponsorship of a series of key insurance diversity legislation, including SB 534 (Bradford, Chapter 249, Statutes of 2019) and SB 655 (Bradford, Chapter 390, Statutes of 2021) have contributed to magnifying the impact of the Diversity Initiative on a national and global scale, serving as a model for numerous jurisdictions as they embark on their diversity-driven initiatives.

In 2023, The signing of Assembly Bill 1140 (Chapter 204, Statutes of 2023), expands the California Insurance Code to include persons with disabilities, and persons with disabilities business enterprises. As a result, the next iteration of the California Insurance Diversity Survey (CAIDS) will require that California admitted insurers that collect at least \$75 million in annual California premiums report on its supplier procurement and governing board diversity data from the previous two years on this new historically underrepresented demographic – persons with disabilities and persons with disabilities business enterprises. *The next CAIDS administration will occur in 2024. As a result, 2023 and 2022 data will be available in 2024.*

**NOTE:** The following information on the state of supplier and board diversity in California’s insurance industry is current as of 2022.

### **2022 State of Board Diversity in California’s Insurance Industry**

The breadth and scope of California’s increasingly diverse population means that it is equally important to see the diversity of the State and consumers reflected on the boards of insurance companies. Board directors, as part of the highest decision-making entity of a company, have the power to direct company-wide policies, allocate resources, and make impactful decisions that can transform a company’s culture. However, diversifying insurer governing boards remains a challenge.

A total of 376 (2020) and 386 (2021) companies reported to the California Department of Insurance, representing 1,582 and 1,644 board seats, respectively. According to the 2022 CAIDS report data, in 2021, 26% of insurance company boards had reached a critical mass of having 30% female board directors, or the point where women can become an influential body on their boards. And for the first time, 4% reported having

gender-balanced boards, or equal proportions of men and women board directors. Yet in that same year, our analysis also reveals that 17% of insurance company boards reported the absence of any woman. Representation among ethnically diverse board members continues to remain a challenge within the insurance industry, and is not reflective of the U.S. population. In 2021, among the boards of respondent insurance companies, 31% reported zero ethnic diversity.

**2022 CAIDS – CALIFORNIA INSURANCE INDUSTRY BOARD DIVERSITY**

Year	Number of Board Directors	Women Board Directors (%)	Ethnically Diverse* Directors (%)	Veteran Board Directors	Disabled Veteran Board Directors	LGBT Board Directors
2021	1,644	23.8%	17.4%	4.1%	< 1.0%	< 1.0%
2020	1,582	22.8%	15.6%	4.1%	< 1.0%	< 1.0%
2019	1,341	23.1%	14.3%	6.0%	< 1.0%	< 1.0%
2018	1,227	22.2%	14.2%	5.8%	< 1.0%	< 1.0%

\*Includes board directors that self-identify as African American, Hispanic-Latino, Asian/Pacific Islander, or Native American

**Supplier Diversity in California’s Insurance Industry**

*The next CAIDS administration will occur in 2024. As a result, 2023 and 2022 data will be available in 2024.*

**NOTE:** The following information on the state of supplier and board diversity in California’s insurance industry is current as of 2022.

The 2022 administration of the biennial CAIDS provided key insights on how the racial justice movement and the COVID-19 public health crisis impacted the procurement practices from California admitted insurance companies that collect at least \$75 million in California premiums, annually. At the height of the COVID-19 pandemic in 2020, survey data indicates that insurance companies drastically decreased its procurement with diverse suppliers, dipping to only \$1.5 billion in 2020 before rebounding to \$3.1 billion in 2021. As compared to the pre-pandemic year of 2019, CAIDS data indicates that in 2020, procurement spending with Asian/Pacific Islander- and Latino/Hispanic-owned business enterprises experienced the largest percentage decreases of 62% and 50%, respectively. In 2021, insurance companies considerably increased their

procurement with minority business enterprises (\$2.1 billion) and women business enterprises (\$715 million).

While 2023 was not a survey administration year, based on the analysis of the 2022 CAIDS, the Initiative responded by developing key programs with the goal of increasing its impact to diverse business communities, including strengthening its partnership with the California Statewide Coalition on Diversity Initiatives.

**DIVERSE PROCUREMENT BY CERTIFICATION CATEGORY**

<b>Year</b>	<b>Diverse Spend</b>
2012	\$930 Million
2013	\$1.3 Billion
2014	\$1.5 Billion
2015	\$1.7 Billion
2016	\$1.6 Billion
2017	\$1.8 Billion
2018	\$1.8 Billion
2019	\$2.1 Billion
2020	\$1.5 Billion
2021	\$3.1 Billion

**DIVERSE PROCUREMENT BY CERTIFICATION CATEGORY**

<b>Certification Category</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Women Business Enterprise (WBE)	\$669 Million	\$678 Million	\$295 Million	\$713 Million
Minority Business Enterprise (MBE)	\$1.02 Billion	\$1.2 Billion	\$715 Million	\$2.1 Billion
Disabled Veteran Business Enterprise (DVBE)	\$16 Million	\$28 Million	\$3.8 Million	\$25 Million
LGBT Business Enterprise (LGBTBE)	\$9.8 Million	\$10 Million	\$4.7 Million	\$11 Million
Multi-Certified Business Enterprise (MCBE)	\$83 Million	\$126 Million	\$44 Million	\$195 Million
Veteran Owned Business Enterprise (VOBE)*	\$27 Million	\$28 Million	\$12 Million	\$58 Million

**DIVERSE PROCUREMENT BY ETHNICITY**

<b>Ethnicity</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Asian Pacific Islander	\$368 Million	\$542 Million	\$206 Million	\$801 Million
African American	\$232 Million	\$254 Million	\$205 Million	\$320 Million
Latino/Hispanic	\$139 Million	\$155 Million	\$77 Million	\$101 Million
Multi-Ethnic	\$9.1 Million	\$24 Million	\$13.2 Million	\$8.8 Million
American Indian	\$9.3 Million	\$14.6 Million	\$13.1 Million	\$15.4 Million

\*2018 and 2019 data amended to reflect additional reported procurement dollars

## **CALIFORNIA ORGANIZED INVESTMENT NETWORK**

The California Organized Investment Network (COIN) guides insurers in making financially sound investments that provide environmental benefits in California and social and economic benefits for the state’s low-to-moderate income, rural, and underserved communities.

Commissioner Lara has made it a priority of COIN to increase and enhance its focus on environment/green investments, affordable housing, and healthcare. Furthermore, insurers are encouraged to allocate investments to Diverse Investment Managers to the extent possible.

Increasing capital into these focus areas is achieved through COIN’s Investment Bulletin Program and Impact Investment Marketplace and further enhanced through individual discussions with insurance companies and asset managers. COIN annually conducts an impact metrics survey in the Impact Investment Marketplace platform. COIN sent out this questionnaire to approved Investment Bulletin managers, which measured their investments’ social and environmental impact and collected data on insurers who have made investments in the Bulletin Program.

Highlights from 2023:

- COIN continued to build relationships throughout the institutional investment industry, including with insurers, asset managers, socially responsible investors, and community development organizations. Participation in the COIN program achieved a record number of primary insurer and asset manager investor contacts, Impact Investment Marketplace account holders, and an increase in the percentage of insurers who hold COIN-qualified investments.
- 2023 Bulletins continue to raise capital in 2024. Total insurer investment numbers are not yet available.

### **BULLETIN TRACKING SUMMARY**

<b>Year</b>	<b>Number of Bulletins</b>	<b>Number of DIMs</b>	<b>Total Insurer Investment (\$)</b>
2016	5	N/A	\$25,000,000
2017	7	N/A	\$51,000,000
2018	5	N/A	\$0
2019	10	N/A	\$856,791,041

2020	22	8	\$4,321,055,829
2021	15	6	\$2,081,000,000
2022	24	11	\$1,003,550,000
2023	25	9	*

- COIN approved twenty-five new Investment Opportunity Bulletins in 2023, which provided:
  - Social and environmental benefits in affordable housing.
  - Healthcare.
  - Small and middle-sized businesses.
  - Real estate.
  - Renewable energy.
  - Mortgage loans for low-to-moderate-income populations in California.
  - Wildfire risk reduction and forest resilience in California.
- COIN conducted three COIN Advisory Board meetings, and appointed three new board members.
- COIN published a newsletter in [September 2023](#) which touched on the following areas:
  - COIN conducts an Impact Metrics Survey, in which COIN mandates all approved investment bulletin managers to submit the total amount of funding raised to get a better idea of the impact of the COIN Bulletin program. This annual questionnaire measures bulletin investments' social and environmental impact and collected data on insurers who have invested in the Bulletin Program. COIN publishes its findings in the aggregate, as detailed in the updated "Bulletin Tracking Summary" table above.
  - COIN Wildfire Risk Reduction Strategies: The COIN-approved California Wildfire Innovation Fund (CWIF) seeks to generate competitive financial returns while reducing wildfire risk for California's property owners, communities, infrastructure, and ecosystems. The Fund targets emerging opportunities across the forest restoration, wood utilization, and wildfire mitigation sectors. The Fund presents a unique risk management

opportunity for insurance companies by targeting wildfire risk reduction outcomes.

- COIN Insurer Spotlight: CSAA Insurance Group. COIN recognized CSAA Insurance Group for investing \$25 million into the new California Wildfire Innovation Fund (CWIF), which addresses climate and wildfire risks and will boost local and rural economies in California. Additionally, the Board of Directors of the California Infrastructure and Economic Development Bank (“IBank”) also authorized under its Climate Catalyst Program a loan facility of up to \$25 million to the CWIF on November 15, 2023.
- COIN has recognized and brought attention to the impactful efforts made by insurers and investment managers in the impact investment arena. Some examples included:
  - Community Capital Management (CCM) Impact Shares Affordable Housing ETF (Ticker: OWNS), which raised \$105 million, with insurance companies investing \$35 million.
  - IMPACT Community Capital invested in the Fairview Heights Apartments in Inglewood, CA. A new construction, multifamily property consisting of 101 units, 50 of which are set aside for formerly homeless households.
  - The Berkadia Hope Portfolio of Affordable Housing. \$50 million in Freddie Mac Tax-Exempt Loans (TEL) helped finance Hope at Avalon and two sister properties: Hope on Broadway and Hope on Hyde Park. The project provided permanent supportive housing and transitional units, with three on-site managers, for 294 formerly homeless residents.

### **COIN Insurer Investment Bulletin Program**

Pre-qualified investment Bulletins by COIN help insurers easily find investments that can enhance their current investment portfolio. The investments are focused on providing social and environmental impact in California, with competitive financial returns for insurance company investors. In 2023, COIN saw a decline in direct investments by insurers, due to their increased appetite for traditional, highly rated fixed-income securities, given the above-average interest rate environment.

Through the COIN Investment Bulletin program, COIN does investment research for the insurer, providing:

- Expertise - Finding California-focused investment opportunities for insurers.

- Due Diligence - Evaluating and verifying management, risks, benefits, and potential returns of investments.
- Performance - Seeking consistent, competitive financial returns with a social/environmental benefit.
- Unlocking Capital - Finding insurers to fund social/environmental impact investments.

### **COIN Advisory Board**

COIN utilized the COIN Advisory Board (CAB) to advise the best methods to increase insurance industry capital in financially sound investments and facilitate contact among executives at insurance companies, community-based organizations, and community development financial institutions.

TC Wilson, Chief Investment Officer, of The Doctors Company, part of TDC Group, was appointed COIN Advisory Board Chair, and Jennifer Keith, Managing Partner at Ethos Real Estate, was appointed COIN Advisory Board Vice Chair.

“I am honored to be selected as Chair of the COIN Advisory Board and given the opportunity to continue the growth and success of the previous leaders. Because I work for a mission-based company, I fully understand and support the mission of COIN, which is to seek prudent investments that yield social and environmental benefits to have an impact on underserved communities.” – TC Wilson

### **HEALTH EQUITY AND ACCESS OFFICE**

The Health Equity and Access Office (HEAO) reviews, analyzes, and develops policy positions on health insurance issues within CDI. HEAO strives to push and implement health policies that increase health equity and access for all, including historically underrepresented communities. The historical need for the office was due to the significant and structural changes that had taken effect since the implementation of the federal Affordable Care Act (ACA) that continued to require a robust framework of legal and policy support. However, the focus of HEAO has shifted significantly towards health equity and social determinates of health since the COVID-19 pandemic revealed the stark social disparities that exist structurally within our state and federal healthcare systems. Additionally, HEAO continues to help the Department work effectively towards implementation of the federal health care reform requirements, integrate ongoing federal and state changes to the marketplace, increase coordination across state agencies, actively represent California insurance consumers with the federal government and the NAIC, and respond to federal actions that significantly challenge the stability of California’s health insurance market.



## **ACCOMPLISHMENTS**

### **Protect and Promote Reproductive Freedom in California and nationally**

#### **Abortion Collaborative Workgroup – 2<sup>nd</sup> Year**

The Commissioner worked with other like-minded insurance regulators from across the nation in the 2<sup>nd</sup> year of the Abortion Collaborative Workgroup. The workgroup focused on developing and implementing protections for reproductive freedom, removing barriers and improving access in insurance coverage. The workgroup heard from various groups regarding reproductive freedom and access, and worked together to identify anticipated issues, discuss solutions and advocate publicly.

#### **Notice of Proposed Rulemaking for HIPAA Privacy Rule to Support Reproductive Health Care**

In April 2023, the U.S. Department of Health and Human Services (HHS), Office of Civil Rights released a notice of proposed rulemaking (NPRM) aimed at strengthening protections for reproductive health information in light of the *Dobbs* decision. Two key protections in the NPRM were: (1) A purpose-based prohibition on the “use or disclosure” of protected health information (PHI) related to reproductive health care and (2) attestation requirements. HEAO reviewed and analyzed the NPRM, and submitted a comment letter in support of many of the increased protections proposed by HHS. The NPRM became a final rule in April 2024.

#### **Protect Abortion Coverage**

##### **Strengthening protections for reproductive freedom and gender-affirming care (2023 Legislative Session)**

Co-sponsoring AB 1432, authored by Assemblymember Wendy Carrillo, which would have required all out-of-state healthcare insurance providers who provide coverage to California residents, to comply state laws requiring coverage of abortion and gender affirming care. The author concludes that this bill closes a loop on coverage provided to California residents from out-of-state insurance providers who may be headquartered in states with anti-choice policies.

### **Expansion of LGBTQ+ health access and equality in California and nationally**

#### **Helping to Build Families (2023 Legislative Session)**

Co-Sponsoring SB 729, authored by Senator Caroline Menjivar, which would expand access to fertility care for all Californians, including coverage for in vitro fertilization (IVF). It will ensure that queer couples no longer have to pay more out of pocket to start families than non-queer families. It will increase access to care, help reduce inequities in health and economic status, and bring the law up-to-date on medical advancements in IVF and its uses. This bill is critical to achieving full-lived equality for LGBTQ+ people,

as well as advancing well-rounded and comprehensive health care for all Californians. SB 729 is a two-year bill that will be acted on in 2024.

### **Letter to U.S. HHS Secretary Xavier Becerra and U.S. FDA on Blood Donation Policy (March 28, 2023)**

Submitted a [letter](#) to U.S. HHS Secretary Becerra and the U.S. Food and Drug Administration in support of the proposed modifications of the blood donation guidelines which eliminate the discriminatory time-based deferrals for men who have sex with men (MSM) who are in monogamous relationships. The letter urged the federal government to push for further scientific examination in repealing all deferral periods that are still discriminatory and solely based on sexual orientation.

### **HIV & STI Testing and Prevention**

#### **Reassured California's Preventive Health Care Protections Following Texas Court Ruling in *Braidwood Management Inc. v. Becerra* (March 30, 2023)**

In response to the trial court ruling in *Braidwood Management Inc. v. Becerra*, HEAO drafted a response to reassure consumers that California law requires insurance coverage for HIV pre-exposure prophylaxis (PrEP), screening for sexually transmitted infections (STIs), and breast and colorectal cancer screening without cost sharing. The *Braidwood* decision struck down the Affordable Care Act's (ACA) preventive health services mandate requiring health insurance policies and health plans to cover recommendations of the United States Preventive Services Task Force that were adopted after the passage of the ACA without out-of-pocket cost to consumers.

#### **Enhance California's Preventive Health Care Protections by Sponsoring California Assembly Bill 1645 and California Senate Bill 427 (2023 Legislative Session)**

Co-sponsored AB 1645, authored by Assembly Member Rick Chavez Zbur, which would have built upon state preventive care law by establishing that health insurance policies and health plans must cover all preventive care without cost sharing, including office visits and necessary health care for delivering a preventive benefit like HIV PrEP. AB 1645 would have required health insurance policies and health plans to cover STI screening that is recommended by the U.S. Centers for Disease Control and Prevention (CDC) without cost sharing, correcting an inequity in the law.

Sponsoring SB 427, authored by Senator Anthony Portantino, which would require health insurance policies and health plans to cover both HIV PrEP and post-exposure prophylaxis (PEP) without any cost sharing, including by grandfathered health insurance policies and health plans that are not otherwise required to cover preventive care under the ACA and state law. The bill would expand zero-dollar coverage of PrEP to one million Californians in grandfathered coverage who must currently pay out-of-pocket for PrEP. SB 427 is a two-year bill that will be acted on in 2024.

### **Promoting health equity and access**

#### ***Letter in response to Notice of Proposed Rulemaking for Clarifying Eligibility for Qualified Health Plan Through an Exchange, Advance Payments of Premium Tax Credits, Cost Sharing Reductions, A Basic Health Care Program, and for some Medicaid and Children’s Health Programs***

In April 2023, the Centers of Medicare and Medicaid Services (CMS) released an NPRM proposing to expand Medicaid and QHP eligibility to Deferred Action Childhood Arrivals (DACA) recipients, as well remove the exclusion that treats DACA recipients different from other deferred action. As part of CDI’s mission to increase health access to all, regardless of immigration status, HEAO submitted a comment letter to CMS in strong support of expanding both Medicaid and QHP eligibility to DACA recipients.

#### ***Letter in response to Notice of Proposed Rulemaking for Discrimination on the Basis of Disability in Health and Human Services.***

In September 2023, the U.S. HHS, Office of Civil Rights released an NPRM proposing new requirements prohibiting discrimination in medical treatment and value assessments, as well as new requirements for the use of durable medical equipment to ensure that individuals with disabilities have an equal opportunity to participate in health care programs. Aligned with the Department’s goal of creating an equitable health care system for all, HEAO submitted a comment letter in support of these new requirements.

#### ***Letter in response to Request for Information: Essential Health Benefits***

On January 31, 2023, CDI submitted [comments](#) to the U.S. HHS commending CMS for its 2022 CMS Strategic Plan and the Biden’s Administration’s commitment to advancing health equity and expanding access to health care. Additionally, comments were submitted within the framework of CMS’ first strategic pillar and sections 18022 and 18031 of the ACA, specifically related to essential health care benefits and state flexibility.

#### ***Represented CDI and the Commissioner Nationally and at the State Level***

Nationally, HEAO actively participated in weekly National Association of Insurance Commissioners (NAIC) meetings and conference calls, influencing the national dialogue by providing California’s perspective and experience in insurance market reform, and analyzing information essential to the implementation of the ACA, and subsequent federal regulatory actions in California. The team also participated in weekly NAIC meetings, the State Rate Review sub-group, and is California’s representative on the Special Committee on Race and Insurance Health Workstream, as well as the Mental Health Parity and Addiction Equity Act (MHPAEA) Working Group.

Within the state, HEAO represented the Commissioner before the California Senate Select Committee on Mental Health and Substance Use Disorder, detailing the progress

CDI has made in the implementation of SB 855 (Wiener, 2020), and the work that needs to be done in the behavioral health arena. HEAO also represented the Department in the *Transgender, Gender Diverse, or Intersex (TGI) Health Care Quality Standards and Training Curriculum Working Group*, and advocated for a variety of consumer protections relating to culturally competent care, as well stressing antidiscrimination protections and patient privacy issues.

### **Children and Youth Behavioral Health Initiative**

HEAO staff are currently working in conjunction with staff from the California Department of Health Care Services (DHCS) and the California Department of Managed Health Care (DMHC) on implementation of the Children’s Behavioral Health Youth Initiative (CYBHI), which will cover behavioral health services provided to students of public schools. The goal of the CYBHI is to transform the way California meets the behavioral needs of children, youth, and families by meeting kids where they are. HEAO staff participates in biweekly meetings with DHCS/DMHC executive staff, and workgroups with managed care plans and insurers. Additionally, HEAO staff provides technical assistance to insurers on compliance with the CIC and the CYBHI program. In December 2023, HEAO issued a guidance to insurers explaining the CYBHI program, and requirements for compliance.

### **Federal Comment Letters**

#### ***Letter in response to Notice of Proposed Rulemaking for Requirements related to the Mental Health Parity Act.***

In October 13, 2023, the U.S. Departments of Labor, HHS and Treasury released an NPRM to strengthen the enforcement of the Mental Health Parity Act and ensure that individuals can access mental health/substance use disorder services as easily as they can access medical/surgical services. As part of CDI’s mission to reduce health disparities and barriers in access to treatment, HEAO submitted a comment [letter](#) in support of these new rules.

#### ***Letter in response to Notice of Proposed Rulemaking to Rescind the Department of Labor’s 2018 Rule entitled “Definition of an Employer”-Associated Health Plans.***

In December 2023, the U.S. Department of Labor issued an NPRM proposing to rescind the Department of Labor’s 2018 Rule on Association Health Plans (AHP) which would have loosened state regulatory authority on multiple-employer welfare arrangements (MEWAs) and AHPs. In conjunction with CDI’s mission to protect consumers from fraudulent health insurance arrangements and maintain a stable health insurance market, HEAO submitted a comment letter in support of the rescission of the 2018 rule.

**Letter in response to Notice of Proposed Rulemaking for Patient Protection and Affordable Care Act, HHS Notice of Benefit and Payment Parameters for 2025, Updating Section 1332 Waiver Public Notice Procedures.**

In November 2023, the CMS released the Notice of Benefit and Payment Parameters (NBPP) which would (1) update the defrayal requirements for required additional benefits, (2) consolidate and modernize the benchmark selection process and (3) allow states to include adult dental care in their essential health benefits (EHB) benchmark plans. Aligned with CDI's mission to reduce health disparities and barriers in access to treatment and health care services for historically disadvantaged communities, HEAO submitted a comment letter in strong support of these and many other provisions in the NBPP NPRM. The NBPP NPRM became a final rule in April 2024.

**Letter in response to Notice of Proposed Rulemaking on Changes to Short-Term, Limited Duration Plans.**

In July 2023, the U.S. Department of Labor, HHS and Treasury issued an NPRM proposing limitations on Short Term Limited Duration Plans (STLD). As part of CDI's mission to protect consumers and ensure a stable health insurance market, HEAO collaborated with staff from other state Departments of Insurance and Commissioner Lara signed onto a joint comment letter in support of these limitations for STLD plans. These regulations became final in March 2024.

## **HEALTH ACTUARIAL OFFICE**

The Health Actuarial Office provides technical assistance within PLB, including review of health insurance rate filings and assistance in the formulation of policy related to health insurance equity and reform initiatives.

### **Health Prescription Drug Cost Reporting and Insurance Premium Rates**

Pursuant to Senate Bill 17 (Hernandez, Chapter 603, Statutes of 2017), insurers are required to report information regarding outpatient generic, brand name, and specialty prescription drugs for the 25 most frequently prescribed drugs, 25 costliest drugs by total annual plan spending, including cost-sharing, and the 25 drugs with the highest year-over-year increase. CDI received and analyzed this data from insurers and reported its findings to the Legislature at the end of 2023.

Pursuant to Senate Bill 546 (Leno, Chapter 801, Statutes of 2015) for large group and Assembly Bill 2118 (Kalra, Chapter 277, Statutes of 2020) for individual and small group, insurers are required to report to the California Department of Insurance specified aggregate information on premiums, cost sharing, benefits, enrollment, and trend factors for all grandfathered and non-grandfathered products. In 2023, CDI received and analyzed the information received from insurers pursuant to these bills.

Pursuant to Assembly Bill 731 (Kalra, Chapter 807, Statutes of 2019), insurers are required to disclose with a rate filing with specific information by geographic region for individual, grandfathered group, and non-grandfathered group contracts and policies, including the price paid compared to the price paid by the Medicare Program for the same services in each benefit category. CDI received and analyzed the data from the insurers. AB 731 also authorizes a large group health insurance contract holder, which meets specified criteria, to apply to the Department of Insurance within 60 days of receiving notice of a rate change to review the rate change and determine if it is unreasonable or not justified. That requires the Department to use reasonable efforts to complete the review within 60 days of receiving all the information required to make a determination. CDI has not received any such requests yet.

### **Saved Consumers Money through Rate Review**

In 2023, the Health Actuarial Office reviewed all major medical rate filings filed with the Department, including student policy filings, specified disease filings, standalone dental plan filings, and Medicare Supplement rates. California law does not give the Insurance Commissioner authority to reject excessive health insurance rate increases. However, the Department reviews rates and discusses concerns with insurance carriers, who voluntarily agree to reduce rates. This process has resulted in an estimated total savings of \$11.4 million for California consumers with various medical insurance products in 2023.

2023 ANNUAL REPORT  
**RATE REGULATION BRANCH**

## RATE REGULATION BRANCH

The Rate Regulation Branch (RRB) is responsible for the prior approval of property and casualty (P&C) insurance rates charged to consumers. Under California's prior approval statutes and provisions of Proposition 103 enacted by the voters in 1988, RRB analyzes rate filings submitted by P&C insurers and other insurance organizations for most P&C insurance lines of business, ensuring that proposed rates are not excessive, inadequate, or unfairly discriminatory. In addition, RRB analyzes filings submitted by P&C insurers and other insurance organizations under California's file-and-use statutes for a limited number of P&C lines of business.

RRB processed 5,034 P&C rates, rules, and form filings in 2023 and reduced requested rate increases by more than \$3.8 billion. In addition, RRB approved reductions of existing rates totaling more than \$28.8 million. For personal auto insurance coverage, the reductions to requested rate increases totaled more than \$2.1 billion.

### RATE FILING BUREAUS

RRB consists of six rate filing bureaus, three in Los Angeles, two in Oakland, and one in Sacramento. These bureaus receive and review filings from over 750 P&C companies licensed in California.

The Intake Unit in the Oakland office is responsible for processing all prior approval rate filing applications and providing copies of all filings to the Public Viewing Rooms maintained in Oakland and Los Angeles. The Intake Unit in the Los Angeles office is responsible for processing all file-and-use rate filing applications which cover the Workers' Compensation and Title lines of insurance. All filings are accessible to the public electronically, via the Department's virtual viewing room platform located on the Department's public website.

RRB utilizes the National Association of Insurance Commissioners' (NAIC) System for Electronic Rate and Form Filings (SERFF). SERFF enables insurers to send and states to receive, review, comment on, approve, or reject insurance industry rate, rule, and form filings. SERFF helps increase efficiency and facilitates communication between the rate filing bureaus and insurers. In 2023, 100% of filings submitted to the rate filing bureaus were received through SERFF.

### NUMBER OF RATE FILINGS RECEIVED IN CALENDAR YEARS 2022 AND 2023

TYPE	2022	2023
Private Passenger Automobile	256	446
Homeowners	142	453
Title	118	70



TYPE	2022	2023
Other Personal Lines Products	195	238
Workers' Compensation	475	451
Medical Malpractice	30	42
Other Commercial Lines Products	2,856	3,334
Total	4,072	5,034

## **RATE ACTUARY OFFICE**

The primary function of the Rate Actuary Office (RAO) is to provide consultative services to RRB. RAO's actuaries are assigned to review filings which impact the greatest number of consumers in need of protection – generally, rate and automobile class plan filings submitted by the larger personal line insurers and more complex filings, with or without statistical models. RAO actuaries help train non-actuarial staff; provide their expertise in the development of new and revised regulatory and legislative proposals; and research, opine on, and develop solutions to emerging issues that impact rates such as the COVID-19 pandemic and the current Sustainable Insurance Strategy. RAO actuaries serve as expert witnesses in litigated rate matters and represent the Department within the professional actuarial community by participating in topical panel discussions at annual and regional meetings of the Casualty Actuarial Society.

## **RATE SPECIALIST BUREAU**

The Rate Specialist Bureau (RSB) provides advice and support to the California Insurance Commissioner (Commissioner), Executive Staff, RRB, other Department managers, the industry, and consumers concerning underwriting, rating, data collection, statistical analysis, profitability, and rate-of-return issues. In addition, RSB also monitors different emerging issues affecting insurance regulation, such as the use of InsurTech in the areas of sharing economy, autonomous vehicles, artificial intelligence, blockchain, etc. RSB's duties and responsibilities extend to all lines of insurance and special task force assignments.

Besides producing the essential Rate Component Determination (RCD) generic rating factors for use by RRB staff, RSB is also responsible for reporting data under California Insurance Code (CIC) Sections 674.5 and 674.6. Under CIC Section 674.5, an insurer ceasing to offer any particular class of commercial liability insurance must provide prior notification of its intent to the Commissioner. Likewise, under CIC Section 674.6, an insurer offering policies of commercial liability and most types of P&C insurance must provide prior notification to the Commissioner of its intent to withdraw wholly or substantially from the specified line of insurance. The list of notifications that RSB received in 2023 is shown in the following table.

**COMPANIES FILING WITHDRAWALS, CEASE WRITINGS, ETC.  
CALENDAR YEAR 2023**

<b>NAIC Number</b>	<b>Company Name</b>	<b>Group Name</b>	<b>Request Date</b>	<b>Effective Date</b>	<b>Withdrawal of Line or Indicated Company Action</b>
22012	Motors Insurance Corporation	Ally Insurance Holdings Group	12/7/2023	2/14/2024	Discontinue Homeowners insurance.
10693	Civil Service Employees Insurance Company	Civil Service Employee Group	7/17/2023; 7/27/2023 (amended)	10/1/2023	Amended to include deletion of auto class of business from Certificate of Authority. Withdraw from all personal lines (includes property, umbrella, and boat) except personal auto.
18953	CSE Safeguard Insurance Company	Civil Service Employee Group	7/17/2023; 7/27/2023 (amended)	10/1/2023	Amended to include deletion of auto class of business from Certificate of Authority. Withdraw from all personal lines (includes property, umbrella, and boat) except personal auto.
11185	Foremost Insurance Company Grand Rapids Michigan	Farmers Insurance Group	11/7/2023	11/7/2023	Withdraw HO-6 Condominium product.
25453	Nationwide Insurance Company of America	Nationwide Corporation Group	12/15/2023	12/15/2023	Withdraw its Commercial Inland Marine program.

NAIC Number	Company Name	Group Name	Request Date	Effective Date	Withdrawal of Line or Indicated Company Action
25895	United States Liability Insurance Company	Berkshire Hathaway Group	12/22/2023	TBD	Non-renew and Discontinue Sales of Liquor Liability product.
31453	Financial Pacific Insurance Company	United Fire and Casualty Group	10/19/2023	4/1/2024	Convert existing BOP policies upon renewal into new BOP-Pro policy or Commercial Package Policy.
42587	Depositors Insurance Company	Nationwide Corporation Group	12/15/2023	12/15/2023	Withdraw Commercial Auto program(s).
11005	Homesite Insurance Company of California	American Family Insurance Group	12/12/2023	2/10/2024	Withdraw residential earthquake coverage.
18961	Crestbrook Insurance Company	Nationwide Corporation Group	12/18/2023	2/18/2024	Withdraw Homeowners policies.
18961	Crestbrook Insurance Company	Nationwide Corporation Group	12/18/2023	2/18/2024	Withdraw Excess Liability policies.
18961	Crestbrook Insurance Company	Nationwide Corporation Group	12/18/2023	2/18/2024	Withdraw Inland Marine policies.
10472	Capitol Indemnity Corporation	Berkshire Hathaway Group	12/1/2023	3/1/2024	Withdraw Commercial Other Liability "Personal Lines Insurance

NAIC Number	Company Name	Group Name	Request Date	Effective Date	Withdrawal of Line or Indicated Company Action
					Agents and Brokers Professional Liability Product".
21261	Electric Insurance Company	General Electric Group	11/21/2023	As permitted by California law	Discontinue personal lines of insurance (personal auto, homeowners, yacht and personal excess liability).
25895	United States Liability Insurance Company	Berkshire Hathaway Group	11/17/2023	As permitted by California law	Withdraw For-Profit Businessowners product.
31968	Merastar Insurance Company	Kemper Corporation Group	10/16/2023	1/1/2024 (cease new business); 3/1/2024 (non-renew existing policies)	Withdraw from home/residential insurance.
16063	Unitrin Auto and Home Insurance Company	Kemper Corporation Group	10/16/2023	1/1/2024 (cease new business); 3/1/2024 (non-renew existing policies)	Withdraw Homeowners.
10915	Unitrin Direct Property and Casualty Insurance Company	Kemper Corporation Group	10/16/2023	1/1/2024 (cease new business); 3/1/2024 (non-renew existing policies)	Withdraw home/residential; currently writes only Renters insurance in California.

NAIC Number	Company Name	Group Name	Request Date	Effective Date	Withdrawal of Line or Indicated Company Action
19100	AMCO Insurance Company	Nationwide Corporation Group	10/2/2023	12/15/2023	No longer write Commercial Property Product.
23043	Liberty Mutual Insurance Company	Liberty Mutual Group	9/1/2023	10/1/2023 (cease new business); 3/1/2024 (non-renew existing policies)	Withdraw Personal Liability Protection insurance.
25231	Farmers Direct Property and Casualty Insurance Company	Farmers Insurance Group	8/21/2023	9/15/2023 (cease new business); 12/17/2024 (non-renew existing policies)	Withdraw from California market and surrender Certificate of Authority.
15290	Aspire General Insurance Company		10/6/2023	As permitted by California law	Withdraw Navigator PPA (private passenger auto) program and policies transferred to new Advantage program.
37257	Praetorian Insurance Company	QBE Insurance Group	8/8/2023	10/15/2023	Withdraw home protection program under Line 09-Inland Marine.
19232	Allstate Insurance Company	Allstate Insurance Group	8/4/2023	Various dates beginning 1/1/2024 through June 2024	Retire legacy products and migrate policyholders to existing products. For certain legacy PPA (private passenger auto) products - recreational vehicle-recreational package

NAIC Number	Company Name	Group Name	Request Date	Effective Date	Withdrawal of Line or Indicated Company Action
					policy (RPP), auto-special-dune buggies, and auto-special-motorhomes - this will involve either an agency rewrite, non-renewal, or an offer with an affiliated brand (National General).
19232	Allstate Insurance Company	Allstate Insurance Group	8/4/2023	9/17/2024	Retire legacy products and migrate policyholders to existing products. For legacy mobile home product, no existing Allstate product therefore plan to non-renew policies effective with 9/17/2024 renewal dates, final non-renewal 9/16/2025.
10226	Unitrin Direct Insurance Company	Kemper Corporation Group	9/29/2023	1/1/2024 (cease new business); 3/1/2024 (non-renew existing policies)	Withdraw private passenger auto insurance, the only line it currently writes in California.
10914	Kemper Independence Insurance Company	Kemper Corporation Group	9/29/2023	1/1/2024 (cease new business); 3/1/2024 (non-renew existing policies)	Withdraw from all lines that it currently writes in California, including private passenger automobile, home/residential and dwelling fire.

NAIC Number	Company Name	Group Name	Request Date	Effective Date	Withdrawal of Line or Indicated Company Action
10887	Coastal Select Insurance Company	GeoVera Holdings Inc. Group	7/20/2023	TBD	Withdraw two Personal Earthquake products, Premier and Security. Replacement program available.
15884	Falls Lake Fire and Casualty Company	James River Group	7/10/2023	TBD	Withdraw current commercial program, Air Centurion aviation program. New program pending.
15884	Falls Lake Fire and Casualty Company	James River Group	7/10/2023	TBD	Withdraw Homeowners program.
23035	Liberty Mutual Fire Insurance Company	Liberty Mutual Group	7/1/2023	9/1/2023 (cease new business); 12/1/2023 (non-renew existing policies)	Withdraw Landlord Dwelling Fire product under Personal Property (Fire and Allied Lines).
39217	QBE Insurance Corporation	QBE Insurance Group	8/1/2023	10/1/2023	Non-renew Commercial Multiple Peril (CMP) Liability policies.
42390	AmGUARD Insurance Company	Berkshire Hathaway Group	6/22/2023	8/22/2023	Cease to offer Homeowners line of coverage.
29874	Swiss Re Corporate Solutions American Insurance Company	Swiss Re Group	7/21/2023	8/20/2023	Non-renew a portion of its commercial liability business.

NAIC Number	Company Name	Group Name	Request Date	Effective Date	Withdrawal of Line or Indicated Company Action
25895	United States Liability Insurance Company	Berkshire Hathaway Group	7/11/2023	TBD	Discontinue Investigator's Liability Product policies.
24082	Ohio Security Insurance Company	Liberty Mutual Group	6/29/2023	10/1/2023 (cease new business); 12/1/2023 (non-renew existing policies)	Withdraw CA Businessowners Policy (CA BOP) product from California; BOP product is reported under company's Commercial Multi-Peril line of business.
42390	AmGUARD Insurance Company	Berkshire Hathaway Group	6/22/2023	8/21/2023	Withdraw from Homeowners line of business by ceasing to offer homeowners coverage.
18031	Topa Insurance Company	Topa Equities Ltd. Group	6/20/2023	As permitted by California law	Withdraw from Personal Auto but retain Commercial Auto.
15884	Falls Lake Fire and Casualty Company	James River Group	6/19/2023	8/19/2023	Withdraw worker's compensation program.
37850	Pacific Specialty Insurance Company	Western Service Contract Group	5/8/2023	7/22/2023	Withdraw Personal Inland Marine line products: (1) Personal Watercraft Program and (2) Pleasure Boat Program.
23043	Liberty Mutual Insurance Company	Liberty Mutual Group	5/8/2023	TBD	Withdraw Animal Mortality program under Inland Marine line.



NAIC Number	Company Name	Group Name	Request Date	Effective Date	Withdrawal of Line or Indicated Company Action
10945	Tokio Marine America Insurance Company	Tokio Marine Holdings Inc. Group	3/29/2023	As permitted by California law	Update 5/2/2023: Withdraw delayed/postponed to 2024.
41238	Trans Pacific Insurance Company	Tokio Marine Holdings Inc. Group	3/29/2023	As permitted by California law	Update 5/2/2023: Withdraw delayed/postponed to 2024.
19232	Allstate Insurance Company	Allstate Insurance Group	2/2/2023	6/6/2023	Withdraw Commercial Auto and Commercial Multiple Peril products.
26905	Century National Insurance Company		3/17/2023	Complete by 2 <sup>nd</sup> quarter 2024	Withdraw Manufactured Home program in California.
41394	Benchmark Insurance Company	Benchmark Holding Group	1/16/2023	TBD	Withdraw "Cyber Risk Insurance" Program (product) in California.
25895	United States Liability Insurance Company	Berkshire Hathaway Group	2/28/2023	6/11/2023	Non-renew and discontinue their Comprehensive Personal Liability policies in California; product is reported under line of business 17.1 - Other Liability (Occurrence).
13714	Pharmacists Mutual Insurance Company	Pharmacists Mutual Group	2/14/2023	6/1/2023	Withdraw Personal Lines programs (Homeowners, Personal Auto, Personal Umbrella).

<b>NAIC Number</b>	<b>Company Name</b>	<b>Group Name</b>	<b>Request Date</b>	<b>Effective Date</b>	<b>Withdrawal of Line or Indicated Company Action</b>
23469	American Modern Home Insurance Company	Munich Re Group	3/8/2023	4/12/2023 (cease new business); 7/1/2023 (non-renew existing policies)	Discontinue writing its wildfire-mitigated Homeowners program in California.
28932	Markel American Insurance Company	Markel Corporation Group	3/10/2023	Begin sending non-renewal notices on 5/11/2023 for policies expiring on and after June 30, 2023.	Withdraw Dwelling Fire program.