

DEPARTMENT OF INSURANCE

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DATE: July 31, 2003

TO: All Admitted Insurers and Other Interested Parties

SUBJECT: California Department of Insurance Schedule of Fees and Charges

This Bulletin is to inform affected parties that the California Department of Insurance (CDI) will increase the fee schedule by 10 percent (10%) effective January 1, 2004. This action is initiated pursuant to California Insurance Code Section 12978, which authorizes the Department to increase the fees contained in the Insurance Code to provide sufficient revenue to fund the appropriation authorized by the annual Budget Act.

To demonstrate the effect of the increase, an agent (Life or Fire and Casualty) who currently pays a bi-annual renewal fee of \$130 will now be paying \$144 or \$14 more every two years. Each company conducting business in the State of California is required to file annual statements along with a fee of \$324. Effective January 1, 2004, the fee will be \$356 or \$32 more per year.

Over the past 12 years, the Department has implemented fee increases on only three occasions: ten percent (10%) in 1992, ten percent (10%) in 1999 and five percent (5%) in 2002. Unfortunately, the revenue generated has not kept pace with either the consumer price index or the Department's annual budget appropriation.

The CDI has reduced expenditures and made program cuts. For example, the Department:

- eliminated 30.0 positions and reduced costs by \$1,732,000 in Fiscal Year (FY) 2001-02;
- eliminated 31.0 positions and reduced costs by \$1,664,000 in FY 2002-03;
- reduced budgeted expenditures by an estimated \$9.2 million dollars in FY 2002-03; and
- imposed an internal hiring freeze to control future growth in personal services costs.

While these cost reduction measures have improved the CDI's fiscal situation, projected expenditures still exceed projected revenue. The ten percent (10%) fee increase, coupled with ongoing cost reductions, will allow the CDI to balance revenues and expenditures in Fiscal Year 2004-05.

The additional revenue will also allow the CDI to continue its efforts to improve licensing services to producers and insurers. The Department has made several significant improvements during recent years, including: the ability to schedule examinations on-line and administering computer-based examinations; the ability to request a certificate of license status online by resident individual licensees; the ability for resident producers to renew their licenses through CDI's toll-free number as well as through the CDI website; the ability for agents to locate education providers and courses through the CDI website; and a toll-free number for licensing inquiries. In addition, individuals will soon be able to submit their producer license applications on-line through the CDI's website.

A subsequent Bulletin with the new fee schedule will be distributed in November 2003.

Please contact Brian Smith, Budget Officer, Budget and Revenue Management Bureau, at (916) 492-3390 should you have any questions concerning this fee announcement.

PLEASE BE SURE THIS INFORMATION IS DISSEMINATED TO ALL YOUR DISTRICT OFFICES AND GENERAL AGENTS IN CALIFORNIA.

Dennis Ward
Deputy Commissioner, Administration & Licensing Services Branch