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CALIFORNIA INSURANCE COMMISSIONER

BULLETIN 2025-11

TO: All insurers licensed to write property and casualty insurance subject to the prior approval provisions of Proposition 103

FROM: Teresa Campbell, Deputy Commissioner and General Counsel

DATE: June 18, 2025

RE: Negotiated or mutually-agreed-upon rates, retrospective rating plans, Large Risk Alternative Rating Options, and consent-to-rate

Proposition 103 requires prior approval of all rates for all property and casualty lines not specifically exempt under California Insurance Code (CIC) section 1851.¹

The California Department of Insurance (Department) has become aware of multiple insurers using or desiring to use negotiated or mutually-agreed-upon rates, retrospective rating plans, so-called Large Risk Alternative Rating Options or LRAROs, and consent-to-rate arrangements, all of which likely violate the prior approval provisions of Proposition 103. The Department hereby informs insurers that seek to rate risks, including large commercial risks, based upon any of the aforementioned arrangements and for which the specific rating factors and/or formulas have not been filed and approved, do so at the risk of violating the prior approval provisions of Proposition 103.²

All insurers who have negotiated or mutually-agreed-upon rates, retrospective rating plans, LRAROs, or consent-to-rate arrangements in place must immediately cease rating using such arrangements, inform the Department of such action, and submit a complete rate application to achieve compliance. In some cases, negotiated or mutually-agreed-upon rates, retrospective rating plans, LRAROs, or consent-to-rate arrangements or components thereof, *may* be approved *if* the Department is satisfied such arrangement with specific rating factors and/or formulas meets the prior approval provisions of Proposition 103. If an insurer continues to use such an arrangement in violation of Proposition 103, the Department will consider bringing an enforcement action with substantial penalties for willful violations.³

Please direct any questions regarding this Bulletin to: REBPublicInquiries@insurance.ca.gov

¹ The provisions of this chapter [Proposition 103] shall apply to all insurance on risks or on operations in this state, except: (a) Reinsurance, other than joint reinsurance to the extent stated in Article 5 (commencing with Section 1856). (b) Life insurance. (c) Insurance of vessels or craft, their cargoes, marine builders' risks, marine protection and indemnity, or other risks commonly insured under marine, as distinguished from inland marine, insurance policies. Inland marine insurance shall be deemed to include insurance now or hereafter defined by statute, or by interpretation thereof, or if not so defined or interpreted, by ruling of the commissioner or as established by general custom of the business, as inland marine insurance. (d) Title insurance. (e) Disability insurance. (f) Workers' compensation insurance and insurance of any liability of employers for injuries to, or death of, employees arising out of, and in the course of, employment when this insurance is incidental to, and written in connection with, the workers' compensation insurance issued to the same employer and covering the same employer interests. (g) Insurance transacted by county mutual fire insurers or county mutual fire reinsurers.

² CIC §1861.05(a). All statutory references contained in this Bulletin are to the California Insurance Code. Proposition 103 is found at 1861.01 *et seq.*

³ CIC § 1858.