



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

BULLETIN 2023-1

TO: All Admitted Insurers Writing Private Passenger Automobile Insurance in California and other Interested Persons

FROM: Insurance Commissioner Ricardo Lara

DATE: January 30, 2023

RE: Increase in Private Passenger Motor Vehicle Financial Responsibility Requirements -- Senate Bill 1107

The purpose of this Bulletin is to remind all automobile liability insurers of their current obligation to file Prior Approval Rate Applications (“Rate Application”) with my Department’s Rate Regulation Branch by July 1, 2023 to account for the updates to the financial responsibility laws going into effect on or after January 1, 2025 pursuant to [Senate Bill 1107](#) (Dodd, Chapter 717, Statutes of 2022).

I am proud that I supported SB 1107 and I am honored to implement the first update to California’s financial responsibility laws for motorists in 56 years. Consumers expect to be made whole by their insurance after a traffic accident, but I believe the current minimum coverage levels often left California’s drivers at risk of being one accident away from financial ruin, especially those from our most vulnerable communities. The implementation of this new law will ensure automobile insurance keeps up with the change in times and California’s drivers are more adequately protected. Furthermore, I am committed to ensuring this important new consumer protection law is implemented as seamlessly as possible with minimal disruption and confusion for consumers.

Effective January 1, 2025, SB 1107 does the following:

- Amends Vehicle Code Section 16056, increasing minimum coverage provided in a motor vehicle liability policy to a limit of not less than thirty thousand dollars (\$30,000) for bodily injury to or death of one person in any one accident and, subject to that limit for one person, to a limit of not less than sixty thousand dollars (\$60,000) because of bodily injury to or death of two or more persons in any one accident, and, if the accident has resulted in injury to, or destruction of property, to a limit of not less than fifteen thousand dollars (\$15,000) because of injury to or destruction of property of others in any one accident.

- Amends Vehicle Code Section 16430, to conform the definition of “proof of financial responsibility” to the new minimum coverage limits in Vehicle Code section 16056.
- Amends Vehicle Code Section 16451, to conform minimum coverage to the new minimum coverage limits in Vehicle Code section 16056.

SB 1107 also adds Insurance Code Section 12960, which requires insurers to file rate applications with the Insurance Commissioner to account for the foregoing changes to the financial responsibility laws in the Vehicle Code. Insurers must file such rate applications by July 1, 2023.

Insurance Code Section 11580.1(b) requires every automobile liability insurance policy to contain coverage limits not less than the limits specified in Vehicle Code Section 16056.

Accordingly, I hereby direct all automobile liability insurers to, as soon as practicable, but in no event no later than July 1, 2023:

- In compliance with Insurance Code Section 12960, file a Rate Application with the Department’s Rate Regulation Branch to account for the foregoing changes to the financial responsibility laws in the Vehicle Code. This Rate Application shall be filed with the sole purpose of introducing the new limit options (“FR limits”) for Bodily Injury, Property Damage, and Uninsured Motorist/Underinsured Motorist to comply with the foregoing changes to the financial responsibility laws, as follows:
 1. Submit the Rate Application as filing type “Rule filing without rate impact,” and program name “FR Limits 2023.” There will be no rate impact, as the only items included in the filing shall be the introduction of the new FR limits, if they do not currently exist in the insurer’s rating plan. There shall be no changes to rating relativities to existing limit options or any other rating elements in the insurer’s rating plan in this rule filing. [Note: revisions to existing limit relativities, if necessary, may be submitted in a class plan application separate and distinct from this rule filing.]
 2. Submit all documents required as part of a rule filing without rate impact, as specified on Rate Application Page 3, Filing Type and Checklist.
 3. Provide support for the rating relativities for the newly introduced FR limits in Rate Application Exhibit 19-A, Supplemental Information.
 4. For insurers that currently offer the new FR limits, submit the Rule filing without rate impact as delineated above, excluding item 3 (support for relativities). The insurer must attest to the existence of these limit offerings in the Filing Memorandum and identify where those limits can be found in the insurer’s rate and rule manual included in the filing.

The Department is aware that some insurers are seeking guidance on the implementation of this new law as it pertains to policies issued or renewed prior to January 1, 2025, and that remain in effect thereafter. The Department anticipates that new legislation will make the new limits applicable only to policies issued or renewed on or after the effective date. However, if no new legislation is passed, the Department would like to remind insurers of the following provisions of the law:

- Insurance Code section 381 requires a policy shall specify, among other things, the period during which the insurance is to continue and a statement of the premium.
- Insurance Code section 383.5 requires every contract of insurance against hazards incident to ownership, maintenance, operation, and use of motor vehicles shall be embodied in a document. "Document," as used in this section, means a policy or a certificate evidencing insurance under a master policy. The policy or certificate shall conform to Section 381 and shall segregate the premiums charged for each risk insured against. The certificate, in lieu of specifying the risks insured against, may designate them by name or by description. "Document" also includes the applicable policy form and a subsequently issued declarations page conforming to Section 381 or an endorsement.
- Insurance Code section 1861.02 (b)(1) prohibits an insurer from refusing to offer and sell a Good Driver Discount policy to any person who meets the standards for a person eligible to purchase a Good Driver Discount policy.
- Insurance Code section 1862.03(c) makes a notice of cancellation effective only if it is based on one or more of the following reasons: (A) nonpayment of premium, (B) fraud or material misrepresentation, (C) a substantial increase in the hazard insured against.

10 CCR Section 2632.19 further defines "substantial increase in hazard."

- Insurance Code section 11580.1 provides: "No policy of auto liability insurance shall be issued unless it contains coverage limits not less than limits specified in VC 16056."
- Insurance Code section 11580.2 (a) provides:

No policy of bodily injury liability insurance covering liability arising out of the ownership, maintenance, or use of any motor vehicle shall be issued unless the policy contains, or has added to it by endorsement, a provision with coverage limits at least equal to the limits specified in subdivision (m) and in no case less than the financial responsibility requirements specified in Section 16056 of the Vehicle Code.

- Insurance Code section 11580.2(m) provides:

Coverage provided under an uninsured motorist endorsement or coverage shall be offered with coverage limits equal to the limits of liability for bodily injury in the underlying policy of insurance, but shall not be required to be offered with limits in excess of the following amounts:

(1) A limit of thirty thousand dollars (\$30,000) because of bodily injury to or death of one person in any one accident.

(2) Subject to the limit for one person set forth in paragraph (1), a limit of sixty thousand dollars (\$60,000) because of bodily injury to or death of two or more persons in any one accident.

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