

**California Department of Insurance  
Proposition 103 Administrative Fees  
California Licensed Insurer' By Line Schedule  
Fiscal Year 2024-25  
Base Rate = \$404**

*Pie Ins Co  
225 W. Washington Street Suite 1800  
Chicago, IL 60606-3484*

CA Perm No. 10  
NAIC No. 21857

Line No.	Line Name	Written Premiums	Annual Fee
09	INLAND MRN	\$5,015	\$404
17.1	OTR LIAB OCC	\$171,095	\$404
19.4	COMLA LIAB	\$6,466	\$404
Total for Pie Ins. Co		<u>\$182,540</u>	<u>\$1,212</u>

**SAMPLE**

**THIS IS NOT A BILL**  
**This is a notification of the annual assessment.**

**Quarterly billings will be made on the 8th working day of May with the exception of the first, second and third quarters will be billed shortly after the mailing of this Notice.**

**California Department of Insurance  
Proposition 103 Recoupment Fee Overview  
Fiscal Year 2024-25**

## **Introduction**

This document describes the process by which the Proposition 103 Recoupment Fee Assessment for Fiscal Year (FY) 2024-25 was calculated.

## **Background**

On November 8, 1988, California voters passed Proposition 103. The California Department of Insurance (CDI) was charged with creating new programs and expanding existing operations to meet the mandates of Proposition 103. California Insurance Code (CIC) sections 1861.01 – 1861.16 contain the provisions set forth by Proposition 103. The following are the major Proposition 103 provisions:

<b>CIC Section</b>	<b>Title</b>
1861.01	Insurance rate rollback
1861.02	Determination of rates; good driver discount plan
1861.025	Good driver discount policy; criteria for qualification
1861.03	Unfair insurance practices; prohibition
1861.04	Full disclosure of insurance information
1861.05	Approval of insurance rates
1861.055	Regulations governing hearings; adoption; rendering of decision
1861.06	Public notice
1861.07	Public inspection
1861.08	Hearings; law governing
1861.09	Judicial review
1861.10	Consumer participation
1861.11	Emergency authority
1861.12	Group insurance plans
1861.13	Application
1861.137	Credit insurance
1861.14	Enforcement and penalties
1861.15	Good driver discounts; minimum financial responsibility coverage policies
1861.16	Commission on issuing policy in minimum financial responsibility coverage amount; requiring sale of good driver discount policies; exceptions; interim rating plan

Effective January 1, 1995, Chapter 965, Statutes of 1994, added CIC sections 12991 and 12992 et. seq., requiring CDI to assess Proposition 103 fees based on administrative and operational CDI actual costs and to create a new fee schedule on or after October 1, 1995.

Proposition 103 costs shall apply to all insurance on risks or on operations in California, excluding exemptions as specified in CIC section 1851. The lines of business subject to Proposition 103 costs are listed below:

<b>LINE NO.</b>	<b>LINE OF BUSINESS</b>
1	Fire
2.1	Allied Lines
2.4	Private Crop
2.5	Private Flood
3	Farmowners Multiple Peril
4	Homeowners Multiple Peril
5.1	Commercial Multiple Peril (Non-Liability)
5.2	Commercial Multiple Peril (Liability)
9	Inland Marine
10	Financial Guaranty
11.1	Medical Malpractice (Occurrence)
11.2	Medical Malpractice (Claims Made)
12	Earthquake
17.1	Other Liability (Occurrence)
17.2	Other Liability (Claims Made)
18.1	Products Liability (Occurrence)
18.2	Products Liability (Claims Made)
19.1	Private Passenger Auto No-Fault (Personal Injury Protection)
19.2	Private Passenger Auto Liability
19.3	Commercial Auto No-Fault (Personal Injury Protection)
19.4	Commercial Auto Liability
21.1	Private Passenger Auto Physical Damage
21.2	Commercial Auto Physical Damage
22	Aircraft
23	Fidelity
24	Surety
26	Burglary and Theft
27	Boiler and Machinery
28	Credit
30	Warranty
34	Aggregate Write-Ins for Other Lines

### **Sustainable Insurance Strategy**

The SIS aims to stabilize California's insurance market, which serves consumers, homeowners, and businesses. Although voters approved Proposition 103 over 30 years ago, its regulations have largely remained unchanged despite the growing challenges posed by climate change and other external factors.

Based on feedback gathered from thousands of town halls and meetings with homeowners, businesses, and individual consumers during his first term, Commissioner Lara implemented an aggressive approach to modernize insurance regulations. These updates are designed to better address consumer needs and increase the availability of insurance coverage statewide—including securing the first-ever guarantee of insurance coverage.

Unlike utilities, insurance companies were not previously required by law to write policies, making coverage availability subject to individual business decisions. This lack of obligation contributed to an insurance availability crisis exacerbated by climate change and global inflation. By modernizing regulations, Commissioner Lara's strategy aims to address these challenges and provide a more reliable insurance market for Californians.

Insurance companies will be required to write more policies in wildfire-distressed areas and reverse the growth of the FAIR Plan, California's "last resort" insurance plan. This "first in history" requirement will create more options for Californians in all corners of the state.

**Key Milestones:**

1. Extensive Public Engagement
2. Regulatory Modernization
3. Addressing Climate Risk
4. Transparency Accountability
5. Modernization of the FAIR Plan.

This comprehensive approach has set a precedent for how California can address the complex interplay of insurance availability, affordability, and climate resilience. Today, the SIS continues to evolve, building on these foundational steps to better serve all Californians. The investments associated with the modernization of the insurance market have been captured in the FY 2024-25 Proposition 103 Recoupment Fee assessment.

**Methodology for Calculating Proposition 103 Costs**

CDI's time and activity reporting systems require employees to maintain monthly timesheets on work activities and tasks. Timesheet information is interfaced to the Financial Information System for California (FI\$Cal). FI\$Cal is the state's accounting system that was developed, pursuant to Government Code section 13300, to account for and monitor revenues, expenditures, receipts, disbursements, and resources.

The annual Proposition 103 Recoupment Fee Assessment calculation is based on actual cost information from FI\$Cal, which reports costs by CDI's organization and program structure. Organization costs are reported by each Branch/Division/Bureau/Unit within CDI.

Program costs categories are designated by the Department to provide costs of CDI activities such as Proposition 103, examinations, fraud, and other regulatory functions.

To project the current year Proposition 103 Recoupment Fee Assessment costs, CDI analyzes the actual prior year expenditures and makes any adjustments for known workload and appropriation changes for the current year (i.e., SIS related investments). This process also rolls forward adjustments of any prior year under/over collection of assessments to determine the current year costs and ensure cost recovery.

**Fee Assessment Determination**

Pursuant to the California Code of Regulations, Title 10, Chapter 5, Subchapter 4.8, Article 7, section 2647.1, the recoupment fee assessment process ensures that each insurer pays a fair share of CDI's actual cost of administering Proposition 103 Recoupment Fee Assessment based on the insurer's regulatory burden. The sum of all insurers' annual fee assessments is equal to CDI's expected Proposition 103 Recoupment Fee Assessment costs for the current year and adjustments from the prior year. It also includes a contingency reserve to meet unanticipated fluctuations in expenditures and revenues. In FY 2024-25 the assessment includes increased costs as a result of the General Salary Increase Adjustments effective July 1, 2024, as approved by the Administration and Legislature.

Each insurer's annual Proposition 103 Recoupment Fee Assessment is based on the assessment factor correlating to the written premiums for each direct line of business subject to Proposition 103 (from Exhibit C) multiplied by the base rate.

The base rate for FY 2024-25 is \$404.

## **Billings**

CDI will bill each insurer quarterly during FY 2024-25 (July 1, 2024 - June 30, 2025)

**California Department of Insurance  
Proposition 103 Fee Assessment Schedule  
Fiscal Year 2024-25**

<b>For Each Line in Which the Derived Direct Written Premiums Were Greater Than</b>	<b>And Less Than or Equal To</b>	<b>Assessment Factor</b>
\$0	\$250,000	1.0
250,000	500,000	2.0
500,000	1,000,000	4.0
1,000,000	2,000,000	7.0
2,000,000	4,000,000	14.0
4,000,000	7,000,000	25.0
7,000,000	12,000,000	35.0
12,000,000	20,000,000	50.0
20,000,000	30,000,000	70.0
30,000,000	45,000,000	100.0
45,000,000	65,000,000	140.0
65,000,000	100,000,000	180.0
100,000,000	150,000,000	250.0
150,000,000	250,000,000	360.0
250,000,000		500.0

**California Department of Insurance**  
**Description of Department Functions Applicable to Proposition 103**  
**Fiscal Year 2024-25**

- **Administration & Licensing Services Branch** - Includes the Administrative Hearing law judges that preside over the rate hearings mandated by the provisions of Proposition 103.
- **Climate & Sustainability Branch** - Studies and compares auto rates and maintains vital information from rate filings related to Proposition 103 activities.
- **Communications & Press Relations Branch** - Has limited direct charges for Proposition 103.
- **Consumer Services & Market Conduct Branch** - Conducts inquiries into individual consumer complaints related to industry rating and underwriting practices. Oversees the Department's toll-free Consumer Hotline which provides information to the public on all insurance matters and assists consumers in resolving insurance related concerns. In addition, conducts field examinations of industry rating and underwriting practices, as well as provides legal services for the Branch.
- **Legal Branch** - The majority of the Rate Enforcement Bureau workload is dedicated to Proposition 103 activities. The other bureaus in the Branch participate in limited Proposition 103 legal matters. In addition, the Branch develops and implements procedures by which the Department may award advocate fees to participating intervenors whom make a substantial contribution to hearing decisions.
- **Rate Regulation Branch** - Most of the branch's work relates to Proposition 103 rate filings.
- **Special Counsel to the Commissioner** - Has limited direct charges for Proposition 103.
- **Department-wide Services** - Costs include the Department's share of statewide costs, rent, communications, and other operating expenses not directly assigned. To the extent practical, operating expenses that can be identified as Proposition 103 are directly assigned to the Proposition 103 program costs.
- **Note:** The Department as a whole will play a key role in implementing the Commissioner's Sustainable Insurance Strategy to protect consumers.

**California Department of Insurance**  
**FY 2024-25 Proposition 103 Assessment**  
**Fiscal Year (FY) 2023-24 Schedule of Actual Expenditures & Revenues**

<b>Branch</b>	<b>FY 2023-24 Actual Expenditures</b>	<b>FY 2023-24 Actual Revenues</b>	<b>Difference</b>
<b>ADMINISTRATION &amp; LICENSING SERVICES BRANCH</b>			
Administrative Hearing Bureau	88,827		
<b>CLIMATE &amp; SUSTAINABILITY BRANCH</b>			
Data Analytics & Reporting Division	1,441,851		
<b>COMMUNICATIONS &amp; PRESS RELATIONS BRANCH</b>			
Communications & Press Relations	189,747		
<b>CONSUMER SERVICES &amp; MARKET CONDUCT BRANCH</b>			
Deputy - Consumer Services & Market Conduct	418,238		
Rating & Underwriting Services Bureau	2,756,758		
Claim Services Bureau	3,143		
Health Claims Bureau	259		
Consumer Communications Bureau	4,779,406		
Consumer Services Division Office	154,171		
Consumer Law Unit	189,606		
Field Rating & Underwriting Bureau	1,630,266		
Field Claims Bureau	2,930		
Market Analysis Unit	48,237		
Division Office - Market Conduct	75,251		
<b>LEGAL BRANCH</b>			
Corporate Affairs Bureau - II	3,021		
Government Law Bureau	90,694		
Oakland Enforcement Bureau	268		
Sacramento Enforcement Bureau	35,342		
Rate Enforcement Bureau	1,632,837		
Fraud Liaison Bureau	30,758		
Auto Insurance Enforcement Bureau	60,250		
Deputy - Legal	270,049		
Litigation Division Office	1,869		
Regulatory & Legal Services Division	10,699		
Intervenor	1,313		
Rate Rollback (10006)	9,827		
<b>RATE REGULATION BRANCH</b>			
Deputy - Rate Regulation	745,492		
Rate Specialist Unit	1,389,974		
Rate Filing Bureau - (LA I)	1,690,130		
Rate Filing Bureau - (LA II)	1,476,626		
Rate Filing Bureau - (SAC)	1,402,050		
Rate Filing Bureau - (OAK)	1,802,973		
Rate Filing Bureau - (OAK)	2,123,443		
Rate Actuary Office	3,418,728		
Rate Filing Bureau - (LA III)	1,470,362		
<b>SPECIAL COUNSEL TO THE COMMISSIONER</b>			
Special Counsel to the Commissioner	157,246		
<b>DEPARTMENT-WIDE SERVICES</b>	16,414,150		
<b>TOTAL</b>	<b>46,016,790</b>	<b>\$48,857,778</b>	<b>\$2,840,988</b>



**California Department of Insurance**  
**FY 2024-25 Proposition 103 Assessment**  
**Fiscal Year (FY) 2024-25 Schedule of Projected Expenditures**

Branch	FY 2024-25 Projected Expenditures	Adjustments (Exhibit G)	FY 2024-25 Total Assessment
<b>ADMINISTRATION &amp; LICENSING SERVICES BRANCH</b>			
Administrative Hearing Bureau	\$80,322		
<b>CLIMATE &amp; SUSTAINABILITY BRANCH</b>			
Data Analytics & Reporting Division	1,384,267		
<b>COMMUNICATIONS &amp; PRESS RELATIONS BRANCH</b>			
Communications & Press Relations	199,631		
<b>CONSUMER SERVICES &amp; MARKET CONDUCT BRANCH</b>			
Deputy - Consumer Services & Market Conduct	342,246		
Rating & Underwriting Services Bureau	2,864,975		
Claim Services Bureau	3,062		
Health Claims Bureau	246		
Consumer Communications Bureau	4,753,339		
Consumer Services Division Office	129,853		
Consumer Law Unit	183,719		
Field Rating & Underwriting Bureau	1,718,533		
Field Claims Bureau	3,064		
Market Analysis Unit	48,868		
Division Office - Market Conduct	75,217		
<b>LEGAL BRANCH</b>			
Corporate Affairs Bureau - II	3,765		
Government Law Bureau	95,654		
Oakland Enforcement Bureau	264		
Sacramento Enforcement Bureau	42,205		
Rate Enforcement Bureau	1,805,618		
Fraud Liaison Bureau	33,433		
Auto Insurance Enforcement Bureau	62,314		
Deputy - Legal	276,461		
Litigation Division Office	3,065		
Regulatory & Legal Services Division	9,953		
Intervenor	1,725,000		
Rate Rollback (10006)	5,021		
<b>RATE REGULATION BRANCH</b>			
Deputy - Rate Regulation	2,077,798		
Rate Specialist Unit	1,384,822		
Rate Filing Bureau - (LA I)	1,642,033		
Rate Filing Bureau - (LA II)	1,448,458		
Rate Filing Bureau - (SAC)	1,361,582		
Rate Filing Bureau - (OAK)	1,755,152		
Rate Filing Bureau - (OAK)	2,133,390		
Rate Actuary Office	3,858,080		
Rate Filing Bureau - (LA III)	1,552,620		
<b>SPECIAL COUNSEL TO THE COMMISSIONER</b>			
Special Counsel to the Commissioner	2,759,254		
<b>DEPARTMENT-WIDE SERVICES</b>	18,140,348		
<b>TOTAL</b>	<b>\$53,945,629</b>	<b>\$23,708</b>	<b>\$53,969,337</b>

<b>California Department of Insurance</b> <b>FY 2024-25 Proposition 103 Assessment – Fund Balance Activities</b>						
Balance before FY 2019-20						<b>\$1,619,667</b>
	<b>FY 2023-24</b>	<b>FY 2022-23</b>	<b>FY 2021-22</b>	<b>FY 2020-21</b>	<b>FY 2019-20</b>	<b>TOTAL</b>
Revenue in Year 1 <sup>1/</sup>	\$48,857,778	\$40,623,387	\$38,435,852	\$35,622,378	\$40,212,361	\$203,751,756
Revenue in Year 2 <sup>2/</sup> (reversal of accrual plus additional collection)	0	3,623	2,228	-5,135	1,113	\$1,828
Expenditures in Year 1 <sup>1/</sup>	-42,323,027	-38,144,659	-35,624,110	-34,499,755	-34,084,249	-\$184,675,800
Expenditures in Year 2 <sup>2/</sup>	0	47,956	33,426	-10,721	-44,838	\$25,823
Expenditures in Year 3 <sup>2/</sup>	0	0	103,175	28,450	412,044	\$543,669
Disbursements <sup>3/</sup>						
My Cal Pays	0	0	0	0	0	0
FI\$CAL	0	0	0	0	4,000	\$4,000
Pro-RATA	-2,476,000	-2,217,000	-2,232,000	-1,935,000	-1,674,000	-\$10,534,000
Supplemental Pension Payment (SB 84)	-1,218,000	-1,114,000	-1,101,000	-600,000	-244,000	-\$4,277,000
Transfers to the General Fund (AB 84)	0	0	-2,168,000	0	0	-\$2,168,000
<b>Subtotal of Activity Subsequent to FY 2019-20</b>	<b>\$2,840,751</b>	<b>-\$800,694</b>	<b>-\$2,550,429</b>	<b>-\$1,399,783</b>	<b>\$4,582,430</b>	<b>\$2,672,275</b>
<b>Total of Prior Year Activity <sup>4/</sup></b>						<b>\$4,291,942</b>
<b>FY 2024-25 Contingency Reserve</b>						<b>\$4,315,650</b>
<b>FY 2024-25 Adjustments to Proposed Expenditures</b>						<b>-\$23,708</b>

The information in the above table shows Proposition 103 revenues and expenditures. Revenue Source: 127100/4124600 (085) and 4171100 (081).

The revenues reported shall include actual collection plus anticipated collection. The state has a two-year reversion period in recording its revenues. As an example, payments received in FY 2021-22 for FY 2020-21 assessment (offsetting the anticipated collection) will still be recorded in FY 2020-21. This will be shown on the table as "Revenue in Year 2", which includes the reversal of the anticipated collection for this year and any additional collection. Additionally, any revenues received for FY 2020-21 after June 30, 2022, shall be recorded as a revenue for FY 2021-22.

Each state agency/department receives an appropriation to support its operation. The appropriation is available for expenditure and encumbrance during the period specified or for three years after the date it became available. The expenditures table above shows expenditures and encumbrances as they are incurred for each year. As an example, a positive amount would indicate that the anticipated expenditures (encumbrances) were not fully realized.

**California Department of Insurance**  
**Fiscal Year (FY) 2023-24 Informational Report on Intervenor Program Costs**

California Insurance Code section 1861.10 provides for consumer participation in Department proceedings conducted pursuant to Proposition 103. These consumer representatives (intervenor) are entitled to compensation for reasonable advocacy fees and the expenses they incur in proceedings conducted by the Department.

Intervenor generally participate in two types of proceedings – rulemaking and prior approval rate hearings. The rulemaking matters relate to the promulgation of regulations intended to implement provisions of Proposition 103; costs are paid by Proposition 103. The prior approval rate hearings concern rate applications by specific insurance companies; costs are paid by insurers.

Intervenor Compensation FY 2023-24:<sup>1/</sup>

<b>Intervenor</b>	<b>Matter Type</b>	<b>Award</b>	<b>Insurer</b>
Consumer Watchdog	Participation in Rate Application Process	\$82,814.50	Farmers Insurance Exchange, Fire Insurance Exchange, and Mic-Century Insurance Company
Consumer Watchdog	Participation in Rate Application Process	77,693.50	CSAA Insurance Exchange
<b>Insurer</b>		<b>\$159,195</b>	
<b>Proposition 103</b> <sup>2/</sup>		<b>\$1,313</b>	

<sup>1/</sup> For additional information visit: <https://www.insurance.ca.gov/01-consumers/150-other-prog/01-intervenor/>.

<sup>2/</sup> Information from FY 2023-24 Year-End reports.