

**California Department of Insurance  
Proposition 103 Recoupment Fee Overview  
Fiscal Year 2019-20**

**Introduction**

This document describes the process by which the Proposition 103 Recoupment Fee Assessment for Fiscal Year (FY) 2019-20 was calculated. The assessment is based on the base rate of \$318.

**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 on the following page:

| <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              | Medical Malpractice  |
| 12              | Earthquake   |
| 17.1            | Other Liability (Occurrence)                                 |
| 17.2            | Other Liability (Claims Made)                                |
| 18              | Products Liability   |
| 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                          |

### **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 provided to the Financial Information System for California (FI\$Cal). FI\$Cal was developed for state agencies by the Department of Finance, pursuant to Government Code section 13300, to account for and monitor revenues, expenditures, receipts, disbursements, and resources.

For FY 2019-20 due to financial reporting challenges with FI\$Cal, data was not available to complete the traditional analysis for Proposition 103 costs. As a result, CDI determined the best approach for FY 2019-20 was to maintain the base rate from FY 2018-19, which will generate \$35,253,480.

### **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 based on the insurer's regulatory burden. The sum of all insurers' annual fee assessments is equal to CDI's expected Proposition 103 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.

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 2019-20 is \$318.

**Billings**

CDI will bill each insurer quarterly during FY 2019-20 (July 1, 2019 - June 30, 2020).