



DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

Gavin Newsom ■ Governor

1021 O Street, Suite 3110 ■ Sacramento CA 95814 ■ www.dof.ca.gov

June 3, 2025

Honorable Scott D. Wiener, Chair
Joint Legislative Budget Committee
Senate Budget and Fiscal Review Committee

Honorable Jesse Gabriel, Chair
Assembly Budget Committee

Honorable Anna M. Caballero, Chair
Senate Appropriations Committee

Honorable Buffy Wicks, Chair
Assembly Appropriations Committee

Support Augmentation for Review of Property and Casualty Insurance Premium Rate Filings

Pursuant to Provision 3 of Item 0845-001-0217, Budget Act of 2024, the following report is respectfully submitted.

The Department of Finance has received a request from the California Department of Insurance (CDI) to augment support expenditure authority for the purpose of securing consulting services related to more complex property and casualty insurance premium rate filing reviews. Provision 3 of Item 0845-001-0217 of the 2024 Budget Act authorizes CDI to augment this item if it is determined that there is a need for consulting services relating to property and casualty insurance premium rate filing reviews. CDI has requested to augment its expenditure authority by a total of \$4,828,000 in Programs 0520, 0525, 0530, and 0535.

Finance concurs that CDI is in need of this funding for consulting services. A waiver of the 30-day review period is requested so that funds are available before the end of the fiscal year.

If you have any questions or need additional information regarding this matter, please call Jessie Romine, Principal Program Budget Analyst, at (916) 445-8913.

JOE STEPHENSHAW
Director
By:

ERIKA LI
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Sharon Quirk-Silva, Chair, Assembly Budget Subcommittee No. 5
Honorable Christopher Cabaldon, Chair, Senate Budget and Fiscal Review
Subcommittee No. 4
Honorable Roger W. Niello, Vice Chair, Senate Budget and Fiscal Review Committee
Honorable Heath Flora, Vice Chair, Assembly Budget Committee
Gabriel Petek, Legislative Analyst (3)
Elisa Wynne, Staff Director, Senate Budget and Fiscal Review Committee
Kirk Feely, Fiscal Director, Senate Republican Fiscal Office
Christopher W. Woods, Senate President pro Tempore's Office (2)
Christian Griffith, Chief Consultant, Assembly Budget Committee
Joseph Shinstock, Fiscal Director, Assembly Republican Caucus, Office of Policy and
Budget
Paul Dress, Caucus Co-Chief of Staff, Assembly Republican Leader's Office
Katja Townsend, Capitol Director, Assembly Republican Leader's Office
Jason Sisney, Assembly Speaker's Office (2)
Mark McKenzie, Staff Director, Senate Appropriations Committee
Jay Dickenson, Chief Consultant, Assembly Appropriations Committee
Laurie Menchaca, Deputy Commissioner, California Department of Insurance
Crista Hill, Division Chief, Financial and Business Management Division, California
Department of Insurance



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

April 18, 2025

Charles LaSalle
Budget Analyst
California Department of Finance
915 L Street, 8th Floor
Sacramento, CA 95814

SUBJECT: FY 2024-25 Provisional Request Per Item 0845-001-0217

Dear Charles,

In accordance with Provision 3 of Item 0845-001-0217 of the 2024 Budget Act (Chapter 22, Statutes of 2024), the California Department of Insurance (CDI) is requesting an augmentation of \$4,828,000 to Item 0845-001-0217 (Programs 0520, 0525, 0530, and 0535) for a total of \$268,593,000. The augmentation will be offset by revenue in the Proposition 103 subaccount, so there will be no impact to the Insurance Fund (0217) or state's General Fund.

CDI has determined a continued need for consulting services related to the review of property and casualty insurance premium rate filings necessitating this request. In support of Insurance Commissioner Ricardo Lara's [Sustainable Insurance Strategy](#), which seeks to streamline the rate filing approval process and introduce new risk management tools in ratemaking, among other elements, the individual items requiring adjustments include:

- **Rate Filing Services**

- **\$308,000 – Rate Filing Review Services** – As part of a multi-year contract, the contractor will provide the CDI with prior approval rate filing review services on an as-needed basis. These reviews will analyze various factors such as premiums, projected losses, catastrophe adjustments, expense considerations, investment income, and reinsurance. The scope includes evaluating data reconciliation, rating factors, underwriting guidelines, and supporting documentation.
- **\$100,000 – Rate Filing Data Warehouse** – The purpose of this effort is to identify all the disparate data sources that Rate Regulation Branch staff manually collect/calculate and use for rate filing reconciliation as well as automate the process of consolidating the data.
- **\$75,000 – Rate Filing Tracking System (RTS)** – This effort will provide maintenance and enhancements to the existing RTS to track insurer rate filing applications for prior approval.

- **Actuarial Services**

- **\$400,000 – Actuarial Services Model Review** – The purpose of this effort is to augment the existing actuarial services model review contract to allow for the current vendor to review additional predictive models used in property and casualty insurance premium rate filings in FY 2024-25. In a FY 2017-18 Budget Change Proposal, CDI was approved an annual augmentation of \$200,000 for the review of four to eight filings a year. With the increased focus by the Department on dispensing with rate filings more timely, the current vendor has exhausted the FY 2024-25 augmentation.
- **\$2,512,000 – External Contractor Services (Actuarial Consulting Services)** – As part of a multi-year agreement, the Contractor will support the CDI by providing actuarial consulting services focused on development and implementation of a recently finalized rulemaking pertaining to allowing California-only reinsurance costs for homeowners and commercial insurance in ratemaking. This includes offering technical and actuarial science-based feedback on rate regulation frameworks, insurance policies, and analysis of rate filing processes.

- **Organizational Assessment**

- **\$433,000 – Rate Regulation Branch (RRB) Organizational Assessment** – As part of a multi-year agreement, the purpose of this effort is to develop and execute an organizational assessment, analyze and make recommendations on workforce development and succession plan opportunities, and assess and implement operational process improvements within the RRB. This effort is essential to ensure the efficient processing of property and casualty insurance rate filings.

- **Catastrophe Modeling Services**

- **\$10,000 – External Consultant Services (Catastrophe Modeling)** – The Consultant will deliver analyses to enhance the understanding of catastrophe models, focusing on wildfire hazard and vulnerability. This includes reviewing the Department's modeling guidelines and disclosure requirements to assess their impact on test cases. Additionally, the Consultant will evaluate model uncertainty and sensitivity to strengthen risk assessment methodologies.
- **\$78,000 – External Consultant Services (Geocoding Methods)** – The Consultant will help develop geocoding methods to map buildings, wildfire features, and eco-regions for better risk assessment. Using specialized tools and data, these methods will improve how wildfire risks are analyzed in catastrophe models, thus helping support the CDI's efforts to protect consumers and businesses from climate-related threats.

- **Information Technology Services**

- **\$798,000 – Prior Approval Rate Application (PARA) Portal and Reconciliation** – As part of a multi-year agreement, the purpose of this effort is to provide IT Consulting Services to improve the quality of data that is entered by residential and commercial property insurers when they complete a PARA before submission to the CDI via the National Association of Insurance Commissioners, System for Electronic Rate and

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Form Filing (NAIC/SERFF). In addition, this will help develop more robust data reconciliation checkpoints that an insurer can review and correct prior to generating and downloading the PARA Excel and PDF files for submission to NAIC/SERFF.

- **\$114,000 – Information & Professional Management Consultant** – The purpose of this effort is for a Consultant to provide business analysis, technical expertise, project management, and training materials in support of all RRB efforts.

A waiver of the 30-day review period is requested to allow CDI to cover all of these consulting services costs prior to the end of the fiscal year.

Please contact me at Megan.Clarke@insurance.ca.gov should you have any questions regarding this request. Thank you for your assistance with this request.

Sincerely,



Megan Clarke
Chief Budget Officer

cc: Jessie Romine, Principal Program Budget Analyst, *California Department of Finance*
Laurie Menchaca, Deputy Commissioner, Administration and Licensing Services Branch,
California Department of Insurance
Crista Hill, Division Chief, Financial and Business Management Division, *California Department of Insurance*
Carolina Bravo, Bureau Chief, Accounting Services Bureau, *California Department of Insurance*