



May 16, 2024

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 the Provision 3 of Item 0845-001-0217, 2023 Budget Act, 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 2023 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 an augmentation to its support expenditure authority of \$407,000 in Program 0520—Regulation of Insurance Companies and Insurance Producers. The Insurance Fund Proposition 103 subaccount has a sufficient balance to cover these additional costs.

Finance concurs that CDI is in need of this funding for consulting services. A waiver of the 30-day review period is requested.

If you have any questions or need additional information regarding this matter, please call Charlene Manning, 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 Steve Padilla, Chair, Senate Budget and Fiscal Review Subcommittee
No. 4
Honorable Roger W. Niello, Vice Chair, Senate Budget and Fiscal Review Committee
Honorable Vince Fong, 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

May 1, 2024

Joe Stephenshaw, Director
California Department of Finance
1021 O Street
Sacramento, CA 95814

Dear Mr. Stephenshaw:

SUBJECT: FY 2023-24 Provisional Request Per Item 0845-001-0217

In accordance with Provision 3 of Item 0845-001-0217 of the 2023 Budget Act (Chapter 189, Statutes of 2023), the California Department of Insurance (CDI) is requesting an augmentation of \$407,000 to Item 0845-001-0217 (Program 0520) for a total of \$251,632,000. The augmentation will be offset by savings in the Proposition 103 subaccount, so there will be no impact to the Insurance Fund (0217).

CDI has determined a need for consulting services related to the review of property and casualty insurance premium rate filings, necessitating the request. The individual items requiring adjustments include:

- \$200,000 – 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 2023-24. 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 on processing rate filings more-timely, the current vendor has exhausted the FY 2023-24 augmentation.
- \$42,000 – Rate Regulation Branch 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 Rate Regulation Branch. This effort is essential to ensure the efficient processing of property and casualty insurance premium rate filings.
- \$165,000 - Prior Approval Rate Application (PARA) – As part of a multi-year agreement, the purpose of this effort is to obtain resource(s), to provide IT Consulting Services to improve the quality of data that is entered by the insurers when they complete a Prior Approval Rate Application before submission to National Association of Insurance Commissioners, System for Electronic Rate and Form Filing.

Provisional Request Item 0845-001-0217

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

Please contact me at Crista.Hill@insurance.ca.gov should you have any questions concerning this request.

Sincerely,

Crista Hill

Crista Hill
Division Chief/Budget Officer

cc: Charlene Manning, Principal Program Budget Analyst, *California Department of Finance*
Taylor McRho, Budget Analyst, *California Department of Finance*
Laurie Menchaca, Deputy Commissioner, Administration and Licensing Services Branch,
California Department of Insurance