November 7, 2023

The Honorable Zoe Lofgren  
Chair, California Democratic Congressional Delegation  
1401 Longworth House Office Building  
New Jersey and Independence Avenue, SE  
Washington, DC 20515

Dear Representative Lofgren:

I will always use the law and my regulatory authority to protect consumers and to stabilize California’s insurance market. I intend to do this with extensive public input and free of political grandstanding. From my Department’s unprecedented outreach meetings with tens of thousands of consumers in every county across our state since 2019, it is clear that insurance reforms are long overdue and the status quo does not address the insurance challenges of today.

Consumers do not benefit from entrenched interests defending a system that works for them alone. Contrary to what is being asserted, Proposition 103 does not grant unlimited power. Any solution to our state’s current insurance crisis requires modernizing decades-old regulations given the threat of climate change here and now. Proposition 103 is a foundation, and my proposals seek to further strengthen the Insurance Commissioner’s existing authority in order to protect consumers and hold the insurance industry accountable.

My Department utilizes the law — including Proposition 103 — to the utmost extent to protect consumers. Through a rigorous rate review process, market conduct exams, and fraud investigations, my Department has put money back into the pockets of consumers and saved them billions, including $2.5 billion in refunds through my unprecedented actions during the pandemic. While Californians on average pay significantly less for homeowners insurance than residents of many large states, those at higher risk of wildfires are finding it difficult to obtain insurance at any price under our decades-old rules. We can do better through modernizing our approach and making the rate review process more responsive and inclusive in a manner that benefits all Californians.

My forward-thinking “Sustainable Insurance Strategy” is based on a thorough assessment of today’s insurance availability challenges, and has full support from wildfire survivors, ranchers and farmers, supportive housing groups, homeowners and condo associations, new home builders, and other insurance consumers who are experiencing the impact of outdated regulatory rules and growing climate threats. I am taking action now to avoid what happened under previous insurance commissioners and learn from those experiences, where past insurance crises resulted in major insurers pausing the writing of new policies, such as Allstate in 2007 under then-Commissioner Poizner or the wholesale pullback of 93 percent of the residential market in 1994 under then-Commissioner Garamendi.

My Sustainable Insurance Strategy sets forth long overdue, innovative concrete solutions. My regulatory changes are aimed at prioritizing community safety and making insurance more available in wildfire distressed areas. My plan will restore competition across our state, create long-term
sustainability of insurance rates, and reverse the state’s growing FAIR Plan, which has long been the first resort for too many Californians even before devastating wildfires.

I seek to encourage greater insurance availability by incorporating forward looking risk assessment tools such as catastrophe models into the ratemaking process. I seek greater insurance accountability, such as diversifying the consumer groups that participate in the intervenor process beyond one group which earns 85% of all intervenor fees in the millions of dollars from insurance companies while simultaneously claiming to protect consumers from increased insurance rates. I also seek to strengthen the Rate Regulation Branch of my own Department with additional analysts and actuaries as we address staff shortages post-pandemic. In sum, my regulatory changes are aimed at prioritizing community safety and making insurance more available in wildfire distressed areas in a comprehensive and transparent way.

Wildfire safety is the key to reducing future losses and stabilizing insurance markets, and that takes coordinated actions by federal, state, and local governments. In that spirit, I urge California’s Democratic members of Congress to join me in this effort by working with your Republican colleagues to immediately improve our state’s insurance challenges through four concrete steps at the federal level:

- Better management of federal forests and watersheds, in accordance with many of the recommendations of the recent Wildfire Commission created under the Bipartisan Infrastructure Law. The past several decades of management decisions have left our federal forests in California overly dense and susceptible to severe wildfire;

- Increasing funding for the home hardening and community grants administered by the State of California, which will expand the savings that consumers will see from my first-in-the-nation wildfire mitigation regulations finalized last year;

- Making changes to the federal tax code to make state risk mitigation grants go further, promoting faster risk reduction in our communities, which is a shared state and federal goal; and,

- Joining Californians from across the political spectrum in supporting my Sustainable Insurance Strategy – which is the first comprehensive reform of our insurance rules in 35 years.

As I continue to pursue regulatory reforms, I look forward to working with you on these key federal actions that are imperative to addressing our current insurance crisis.

Additionally, I invite you to join me in town halls to hear directly from your constituents who are in need of fresh answers and new solutions to the insurance problems facing California and our entire nation. Please contact my staff lead, Deputy Commissioner for Community Relations and Outreach Julia Juarez, to schedule outreach events in your districts. She can be reached at Julia.Juarez@insurance.ca.gov.

Sincerely,

RICARDO LARA
California Insurance Commissioner

Julia.Juarez@insurance.ca.gov
cc:
Rep. John Garamendi
Rep. Norma J. Torres
Rep. Katie Porter
Rep. Linda T. Sánchez
Rep. Jim Costa
Rep. Julia Brownley
Rep. Adam B. Schiff
Rep. Barbara Lee
Rep. Grace F. Napolitano
Rep. Mike Thompson
Rep. Mark DeSaulnier
Rep. Mike Levin
Rep. Eric Swalwell
Rep. Pete Aguilar
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Rep. Sydney Kamlager-Dove
Rep. Anna G. Eshoo
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Rep. Raul Ruiz, M.D.
Rep. Sara Jacobs
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Rep. Juan Vargas