[California consumer group blasts insurance bill backed by Newsom](https://uphelp.org/california-consumer-group-blasts-insurance-bill-backed-by-newsom/)

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A bill backed by Gov. Gavin Newsom that is intended to halt more exits from California's troubled homeowners insurance market by speeding up reviews of proposed rate hikes drew sharp criticism Wednesday from an influential consumer group.

The administration this week released the draft of a bill Newsom proposed this month that he said would limit the review process of proposed rate hikes to 60 days. But the draft allows the Department of Insurance to seek 30-day extensions beyond the two-month period as long as regulators publicly disclose what is slowing the review — immediately setting off a dispute about its possible implications.

Consumer Watchdog maintains that the draft "guts" the process that allows consumers to intervene in reviews of both small and large rate hike requests, which are treated separately under the landmark 1988 measure known as Proposition 103. That measure gave an elected insurance commissioner the authority to review and approve insurer rate hikes.

"The governor's plan invites insurance companies to set their own prices and will kill public participation in rate review," said Consumer Watchdog Executive Director Carmen Balber, who added that the group would lobby to have the language changed in the Legislature. "It is a serious blow to all rate reviews in California."

The governor's office released a statement that the bill "makes no changes to the rules in Prop. 103 for how much an insurance company can charge, which continues to be that rates cannot be "excessive, inadequate, or unfairly discriminatory."

The governor's proposal augments Insurance Commissioner Ricardo Lara's Sustainable Insurance Strategy, a set of comprehensive regulations intended to stabilize rates and make it more attractive for insurers to write homeowners policies, especially in wildfire-prone areas such as hillsides and canyons.

However, the reform plan isn't expected to be adopted until later in the year. Lara issued a statement this week that under Newsom's bill his department "will continue to thoroughly review each and every rate application filed to make sure that they are compliant with our laws and justified under Prop. 103 and that consumers are protected."

Consumer Watchdog's posture threatens to bog down a bill that Newsom wants to push through the Legislature as part of the process for adopting the state budget. California's Constitution requires the spending document to be enacted by June 15, though so-called "trailer bills" such as the insurance proposal can be enacted later. Newsom is seeking to speed adoption amid a wave of insurer pullbacks from the market, including State Farm's decision not to renew 72,000 policies.

Balber criticized the language that specifies how the insurance department can seek more time to review proposed rate hikes that are less than 7%. Although regulators would be required to disclose what "unresolved" issues are slowing the review, the bill does not require the department to disclose concerns by "intervenors" such as Consumer Watchdog, which she said could result in their concerns being overlooked.

Balber also said that the draft law would allow insurers denied rate hikes that top 7% to immediately seek smaller rate hikes under the weaker review process, without separately filing for a smaller rate hike. That would make it easier for them to avoid hearings before administrative law judges where it might be decided an insurer should actually decrease it rates.

"It really opens the door to companies manipulating the process to avoid a hearing," she said.

The Personal Insurance Federation of California, a trade group of property and casualty insurers, said in a statement that the bill "provides more clarity and accountability to all parties involved in the process. This is a far better option than the current rules that resulted in an insurance crisis for many Californians."

Rex Frazier, president of the federation, disputed Balber's criticism of the legislation, contending that Consumer Watchdog was seeking "special treatment" in the bill, while also bemoaning that insurers might be encouraged to seek smaller rate hikes if their larger ones are blocked. "The irony is thick here," he said.

Not all consumer groups have the same view of the legislation.

Amy Bach, executive director of United Policyholders in San Francisco, said she viewed the bill as an effort by the governor to “turn up the heat” on all parties involved in the rate-review process, including the Department of Finance, as insurer pullbacks force more homeowners into the FAIR Plan, the state’s insurer of last resort.

She said Consumer Watchdog’s criticism also assumes the insurance department “isn’t doing its job” in preventing rate hikes, which she wasn’t “prepared to agree with.”