California implements plan to speed up reviews of insurance price increases backed by Newsom

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Insurance Commissioner Ricardo Lara bypassed the Legislature on Friday to implement a plan to speed up California's review of price increases for home and automobile coverage.

The proposal, which stalled for months after it was hastily championed by Gov. Gavin Newsom, is meant to soothe companies who are dropping and pulling back business in the state leading to spiking prices, fewer policy options and overall turmoil in California's insurance market.

They must have their price increases approved by the Department of Insurance before implementing them. And the length of time it takes to receive that blessing has exasperated insurers who say rate hikes are needed to stem losses due to catastrophic wildfires, growing risks from climate change and higher costs for materials.

"Consumers are hurting, businesses continue to lose coverage, wildfires are ravaging our state — and we do not have the luxury of time," Lara said in a statement. "I am ultimately responsible for fixing this crisis."

The department receives hundreds of requests annually from companies to change their prices for home, auto and other coverage and has struggled, at times, to prevent a large backlog of applications.

During a press conference in May, Newsom said he wanted to speed up the state's review of those requests and that his administration would do so by attaching a proposal to the budget as a so-called trailer bill.

After the administration released details about the plan it sat for weeks as lawmakers debated the budget before taking a recess in July. The Legislature returned earlier this month and must finish its work by Aug. 31.

In a statement, Senate Pro Tem Mike McGuire, D-Healdsburg, did not take any issue with Lara's decision to act ahead of the Legislature.

"Governor Newsom and Commissioner Lara have been moving mountains to help stabilize the insurance market, and we know more must be done," McGuire said. Newsom, in a statement, said he supported Lara's action.

The directive requires the department to review rate requests in 120 days. If the agency disagrees with a company's desired rate, it must provide its own recommendation to the insurer.

If the company rejects the suggested rate, the review process will continue. State law allows people and organizations to dispute proposed price increases before they go into effect. Those challenges can add time to the evaluations, which sometimes take more than a year. If a company wants to hike rates for its policyholders by an average of more than 7%, the department will still provide insurers with a suggested rate in 120 days. But challengers will be able to reject what the agency recommends and prevent the new price from going into effect.

Industry trade groups applauded the change. "This is just another positive step forward," said Seren Taylor, a lobbyist for the Personal Insurance Federation of California. Consumer Watchdog, an advocacy organization that is an outspoken critic of the department and companies, has warned that giving insurers the ability to raise rates more quickly will leave Californians paying higher prices but won't increase coverage options.

It shared those worries with top legislative leaders in a letter after the Newsom administration released a draft of the proposed bill.

Carmen Balber, the organization's executive director, said in a statement that Lara's "abrupt action today to abandon the bill in favor of unilateral executive action makes clear those concerns were gaining traction." Consumer Watchdog is a frequent challenger of rate hikes. In one recent example, it is protesting a request by State Farm to increase its prices for homeowner coverage by an average of 30% after the company said it has worries about its financial health.

Lara's announcement is part of a series of rule changes proposed by the department with the goal of spurring insurers to write more policies in the state. One of them also seeks to speed up reviews by trying to clarify the information companies need to submit before their requests are evaluated.

The order Friday said the new evaluation process would not go into effect until the department finishes creating a tool meant to help companies file more complete applications. Once it does, Californians will likely see the large price jumps continue — at least in the short term.

"The insurers have done a great job of convincing the public and many lawmakers that reforms were needed," said Amy Bach, the executive director of United Policyholders, a consumer advocacy organization. "They're going to get some of the reforms that they've been lobbying for and they're going to have to deliver."

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