

California regulator's 'forced marriage' with insurers

Politico

California Insurance Commissioner Ricardo Lara is trying to get property insurers to remain in the state despite a spate of wildfires.

In Sacramento, Ricardo Lara is the state's insurance commissioner who hasn't yet stopped an exodus of property insurers fleeing increased costs fueled by climate change.

But at the Hotel Indigo in downtown Los Angeles where he gathered insurance regulators and executives from around the world for a summit today and Wednesday, Lara is a climate leader.

The Global Sustainable Insurance Summit — announced last year at the U.N. climate talks in Dubai and sponsored by the business sustainability group Ceres — featured regulators from Illinois to Alaska and industry representatives and officials from Australia to Brazil.

Insurance players from around the world shared common struggles and efforts to reduce risk, from higher home-hardening standards for rebuilding in the Australian bush to insuring biodiversity itself, like the coral reefs in Hawaii. But no one has completely cracked the code.

"None of us have the resources to really understand the future catastrophes that we're going to see," Lara said of the U.S., despite the release last week of a national strategy on insurance resilience by the National Association of Insurance Commissioners' climate and resiliency task force, which he co-chairs.

Back home, Lara is grappling with not only insurers who continue to flee the state despite approved double-digit rate increases and a promised ability to incorporate climate-amplified costs into future rates, but pressure from consumer advocates to get tougher on the industry.

Lara portrayed himself as a reluctant suitor. “The moment we’re in right now is like a forced marriage with the industry, where they’re not going to like all the reforms that we want to do, and we’re not going to take their word, as well,” he said in an interview. “I say, ‘We’re staying together for the kids right now.’”

Some advocates aren’t buying it.

“He picks his company,” said Consumer Watchdog President Jamie Court, who wasn’t invited to the summit. “His company is not with progressives; his company is with the insurance industry and people who think like the insurance industry.”

Lara is granting the insurance industry some of its longtime asks in California as part of an effort aimed at enticing them back to the market. He released draft rules last month that would allow insurance companies to use forward-looking models that account for climate change in their rate-setting — likely leading to higher rates for property owners in hazardous areas. He’s planning another new rule, to allow insurers to pass along the costs of reinsurance to customers, before the end of the year.

But companies haven’t yet reversed course. State Farm announced last month it would drop tens of thousands of homeowners, and American National announced in February it would leave the state.

Another consumer advocate acknowledged the bind Lara’s in. “It’s really hard right now to try to put rules in place to say, you know, you can’t drop more than so many people in such a period of time,” said Amy Bach, who leads the nonprofit United Policyholders. “We just have to be really creative here. So having the players all here is good.”

(Players spotted include Rex Frazier, president of the Personal Insurance Federation of California, sitting between Mercury Vice President Charles Toney and AAA regulatory affairs specialist Allen Wood; former state Sen. Fran Pavley and former Insurance Commissioner Dave Jones.)

What’s next for Lara, an ambitious former state lawmaker from Los Angeles who’s termed out in 2026?

“If you would have told me that I was going to become this insurance nerd, I’d be like, ‘you’re insane,’” he said. “But I just find it incredibly fascinating. Whatever I end up doing, private sector, continued service, whatever I decide to do, this is the future, for me.”