

Former insurance commissioner warns state agency about California's 'uninsurable future'

Yahoo

Former insurance commissioner Dave Jones has a sobering view on the future of homeowner coverage in California: He believes the state is “marching steadily towards an uninsurable future.”

That’s because world leaders aren’t acting aggressively and fast enough to reduce greenhouse gas emissions, Jones told a state oversight agency Thursday. As a result, costly storms and wildfires are becoming more common, which is “landing on the balance sheets of insurers.” In turn, companies are raising rates, not writing new business and not renewing policies.

The best short-term responses to those problems depend on whom you ask.

Carmen Balber, the executive director of Consumer Watchdog, an advocacy organization, said the Legislature should mandate that insurers sell coverage to people who take steps to protect their homes and properties, as a way to provide stability.

Rex Frazier, president of the Personal Insurance Federation of California, argued that more stability will come if the Department of Insurance pushes forward on regulatory changes companies want it to make.

Who will ultimately bear the cost of the state’s insurance challenges is also unresolved.

“That’s what we’re really here to figure out,” said Amy Bach, the executive director of United Policyholders, a consumer group. “How to spread the pain.”

It’ll be the Little Hoover Commission’s job to sift through these and other points on what has become one of the state’s most pressing challenges.

On Thursday, it held the first of at least two hearings on home insurance in California. The nonpartisan agency, created in the 1960s, studies state government operations and policies and makes recommendations to the governor and the Legislature. The 13-member commission is made up of people appointed by the governor and state legislators, as well as California lawmakers themselves.

The idea to look at home insurance in the state came from one of the agency's commissioners, Janna Sidley. During the hearing, Sidley said she recently received a notice that her carrier would not be renewing coverage for her Los Angeles home.

Despite it having, "No fire, no flood risk, no nothing," she said.

Jones, Balber, Frazier and Bach all made presentations to the panel.

Chair Pedro Nava, a former state assemblyman, said Insurance Commissioner Ricardo Lara was invited to speak at the hearing or to send someone from his office. Neither Lara, nor any of his colleagues, took the commission up on its offer, Nava said.

"Commissioner Lara has testified at multiple legislative hearings and met with Californians across the state," Department of Insurance spokesman Michael Soller said in an interview. "And our focus remains on finalizing the much-needed reforms Commissioner Lara outlined in his strategy to restore options in a competitive, sustainable market."

Lara has announced that he will roll out several regulatory changes this year with the goal of persuading companies to reverse their recent decisions to pause or restrict new business in the state.

How many times the commission will meet on home insurance is unclear. It is expected to do so again at a meeting in April, said its executive director Ethan Rarick. And it plans to issue a report with recommended improvements later in the year.

Near the end of the hearing, Vice Chair Anthony Cannella, a former state senator, called the current situation "ominous."

Those concerns were echoed by several county leaders from around the state who shared their views in person and virtually during a public comment period.

Rex Bohn, a Humboldt County supervisor, said rural counties were “getting the brunt” of the issue. He warned the state was headed towards an insurance cliff.

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