

[It's a make-or-break moment for California's insurance commissioner](#)

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California has the strongest insurance protections for consumers in the country. It's time — with top insurers refusing to write new policies in the state — for Insurance Commissioner Ricardo Lara to flex them to tell Big Insurance to back off, advocates say.

Allstate Insurance isn't writing new policies in California. Neither is State Farm Insurance. All say that it is too expensive to do business in the state — and Californians are freaking out about whether they will be able to obtain coverage to protect their homes. Plus, auto insurance is getting harder to get, too.

“What we need right now is courage,” Harvey Rosenfield, the founder of Consumer Watchdog who wrote California's landmark insurance law embodied in Proposition 103, told me. “He'll either step up — or he will fold.”

Rosenfield and other consumer advocates say Lara has the power under Proposition 103 — which voters approved in 1988 — to force insurers to write policies under the law when there is a shortage.

Lara disagrees. “What they're saying is simply not supported by law (according to) our legal team,” he told me. There isn't a shortage now because there are more than 100 insurers still selling policies in California and top insurers haven't left the state, Lara has said, they've just paused expanding.

Deferring to the legal department isn't what Rosenfield had in mind when he crafted Prop. 103. He envisioned the insurance commissioner as a fearless warrior. Someone ready to pound the bully pulpit on behalf of beleaguered consumers. An ambitious politician eager to stick their face in front of a camera and advocate for California consumers.

Or as Rep. John Garamendi, California's first elected insurance commissioner, once put it: “My

predecessors kissed the insurance industry's butt here for 100 years, and consumers got screwed for it. ... Damn right I'm confrontational. I've kicked butt instead of kissed it."

That has not been Lara's M.O. He's not a podium pounder. He's not a camera hog. He has been accused of being too chummy with the industry he regulates.

But he is ambitious. And now, with an insurance crisis threatening to balloon, the spotlight is on him.

That is only one of the pressures facing Lara in what one advocate described as a "game of chicken" between the insurance companies and Lara. The industry wants to rewrite rules guiding how to set its fees and to be able change how it passes on the cost of its risk to consumers. It is all coming to a head as climate change ramps up natural disasters from Vermont to California — and insurance companies pull out of big coastal states such as Florida.

Doug Heller, director of insurance at Consumer Federation of America, said that "the political story that will be told about Ricardo Lara is going to be: When the insurance companies started bullying us about homeowners insurance premiums, did he rein them in and make sure that they were partners in the state that has provided so much business for them over the years? Or did he let them write the script?"

How Lara handles this stare down will be a defining moment for the 48-year-old former state legislator from East Los Angeles, who is termed out in 2026. He is eyeing a run for lieutenant governor (along with half of California Democrats with a pulse).

As someone who has won statewide office twice, Lara — along with termed-out state Treasurer Fiona Ma, who has already raised \$1 million for a run — would have a step up on the pack.

That is, if he shines in this moment.

It won't be easy. He'll get dinged by future political opponents if insurance premiums spike — or if Californians get kicked off their plans or can't buy new ones.

"It's just a very difficult situation for any elected official to be in," Rex Frazier, president of Personal Insurance Federation of California, which advocates for personal injury and casualty insurers, told me. "Which do we want? Do we want higher prices with more availability? Or lower prices with less

availability?”

Frazier appealed to critics to not “vilify a politician trying to deal with this. You realize that it’s really hard to do in such a punishing political environment.”

Rosenfield was hoping to tap the boundless ambition that fuels politicians when he wrote Proposition 103, which made the state insurance commissioner an elected position. Rosenfield figured the job would appeal to someone seeking to climb the ranks of statewide government. Garamendi (still Rosenfield’s favorite commissioner) leveraged the post to become lieutenant governor, snag a stint in the Clinton administration, run for governor and secure a long career in Congress.

Rosenfield loved Garamendi for how he stood up to the industry — particularly in the aftermath of the Oakland hills fire in 1991. Garamendi levied the largest fine in the department’s history at that time — \$1 million against Allstate — after charging it with 153 underwriting and claims handling violations in connection with the blaze. In 2006, Garamendi accused a coalition of insurance companies of “blackmail and extortion,” alleging that they threatened to crush his lieutenant governor campaign with a \$2 million attack ad campaign unless he backed off plans for new price rules for car insurance. The insurers contended that they were just trying to educate consumers.

In a bipartisan nod, Rosenfield also said he respected Steve Poizner, the last Republican elected to statewide office (along with Gov. Arnold Schwarzenegger) when he won the commissioner’s gig in 2006. Even though they didn’t agree on some issues, Rosenfield said, “Poizner wasn’t afraid of the industry.”

On paper, it’s a dream gig for a politician: The insurance commissioner often gets to stand up on behalf of Californians against Big Insurance at a vulnerable point in their lives — like after a natural disaster has destroyed their home or when they’re being threatened with a huge rate increase. California is the rare state where insurers have to get the blessing of the state commissioner to increase rates. The commissioner investigates fraud and ensures that insurers can cover the losses they say they can.

If you want to do that sort of thing.

Ever since he ran for the job in 2018, Lara has been dogged by concerns that he’s too tight with the industry he regulates.

He accepted more than \$270,000 in campaign contributions from 56 people with ties to the industry after pledging not to take donations from the people he was going to regulate.

He has other challenges in the final two years of his last term.

Now, for example, the industry must set its fees by looking backward two decades on what it has paid out for wildfire claims. But intensifying climate change has altered that risk, and now the industry wants California to adopt how other states set rates — a forward-looking fee structure based on computer modeling.

Consumer advocates are leery of trusting a private company's formula. If California were to move to a forward-looking model, advocates would prefer to see one crafted in daylight — perhaps a model created in the state's public universities or government.

"We don't trust the predictive analytics of the algorithm because we just assume it's going to overstate the risk," said Amy Bach, executive director of United Policyholders, a nonprofit advocate for insurance consumers.

Lara was reluctant to say who should craft the model. But he told me that his "goal is to make sure that these models that are being used are verifiable by the department and are transparent."

"We want to make sure that the consumer, the department or local governments know how these tools are being used to assess not only who gets insurance but who gets discounts," Lara said.

He's also facing pressure to allow insurers to charge customers for the cost of reinsurance. Reinsurance is outside funding from third-party sources that insurance companies tap so they can cover their liabilities — particularly in a high-cost, wildfire- and flood-riddled state like California. Kind of like insurance for insurance companies.

But California doesn't allow insurers to pass the cost of reinsurance to consumers because the third parties are often unregulated. Also, some reinsurance rates are calculated globally, taking into account disasters that happened in far flung parts of the world.

Lara said he is working with experts in his department to see if there can be reinsurance plans that take

into account only what happens in California.

“California’s market is so large,” Lara said. “Is there a way for us to calculate the reinsurance risk just for California, so that we’re only paying for the risks in California” instead of “paying for what’s happening in Florida, or in Singapore or in India?”

Bach, the consumer advocate, said there’s a risk for Lara to take too tough a stand with insurers. She said it is shortsighted to assume that insurers will continue to remain in California because it is such a large and lucrative market. Last week, Farmers Insurance said it would stop renewing nearly one-third of its policies in Florida, the latest of several companies to scale back or fold in the state.

Could California be next?

“If the commissioner were to take that stance (with insurers) and say, ‘All right, we’re gonna suspend your license for selling auto insurance, if you don’t sell more home insurance,’ there is no question in my mind that we’ll lose a bunch of insurance companies,” Bach said. “And that’s not going to help, either.”

Lara’s plate is full and he’s surrounded by people — friend and foe — watching him eat. He contends he’s not worried about his political future. “The only consideration I have is protecting consumers and doing the right thing for consumers in California,” Lara said.

But Rosenfield, the person who wrote the law that created the elected insurance commissioner position and has hounded Lara since his first campaign for the job, said Lara is facing “an inflection point.”

“If he doesn’t handle this correctly and (doesn’t) use the power that Proposition 103 gives him,” Rosenfield said, “Then I don’t see how he comes out of this as a candidate for further public office.”