

What's next in California's insurance crisis? Commissioner Lara lays out plan, addresses criticism

ABC7 News

Significant questions are being raised about promises made by California's Insurance Commissioner alleging insurers will be expanding coverage in fire-prone areas by 85%. A critical issue that affects millions of policyholders across the state as insurers drop.

7 On Your Side investigates the promises Commissioner Ricardo Lara has made versus the fine print in his regulation.

A renewed commitment

"I take responsibility," said Commissioner Ricardo Lara during an interview with ABC7's Stephanie Sierra. "We're going to stabilize our market. We're really living in unprecedented times. This is an insurance crisis that we've never seen before."

The commissioner's plan is supposed to be implemented in less than a month, but his colleagues in the state legislature and dozens of members of Congress are worried his strategy is giving insurance companies too much leverage.

What is the Sustainable Insurance Strategy (SIS)?

We first introduced you to Janet Mountjoy last month. The 86-year-old widow is trying to make ends meet after AAA dropped her.

"I got a letter in the mail saying they were dropping me," Mountjoy said. "I called them repeatedly for

reconsideration because I live right next to a fire station.”

But she got no help from the insurer or the state. Neither did her Portola Valley neighbors.

Commissioner Lara says progress is coming with a plan he calls his “Sustainable Insurance Strategy” (SIS) that’s supposed to be implemented by the end of the year.

The plan lays out a series of promises to tackle the insurance crisis – everything from expanding coverage in high-risk areas to increasing competition to reduce rate hikes.

But critics continue to ask — is the plan on the side of insurers or consumers?

A ‘misrepresented’ promise?

In his SIS, he has made this promise: “We’ve been able to make this historic accord, in where insurance companies for the first time are committing to writing 85% of their business in the wildfire-distressed areas,” said Lara.

Notice he says insurers are ‘committing’ to write more policies in fire prone areas. Specifically, 85% of their sales elsewhere. But 7 On Your Side looked through his 29-page regulation and found that statement is misleading.

Here’s the reality — that 85% figure is the high end of a range. According to the regulation as its written, insurers have the option to expand coverage by as little as 5%, if they choose. And there’s no mandate of compliance.

And that’s why his critics say – his proposal isn’t telling the whole story.

“He’s not doing his job,” said Rep. John Garamendi (D-Fairfield), California’s first elected Insurance Commissioner who recently called on Lara to step down if he won’t hold insurers accountable. “There’s no transparency.”

“He’s lying to the state,” said Harvey Rosenfield, who’s a vocal critic of Lara and the founder of Consumer Watchdog. “He’s misrepresenting the truth.”

Lara's response

Stephanie Sierra: "Some of your critics, not just Consumer Watchdog, but others who have read the fine print of that proposal, have said that it's really only giving insurers the option to do 5% with no mandate of compliance."

Commissioner Lara: "Yes, that's inaccurate. Five percent is for our small-and medium-sized companies, because we also want them to have skin in the game... not just the big companies, because what we don't want is for one company to be oversaturated in a certain community."

But that's not what his own regulation says.

7 On Your Side Investigates went through every page.

Nowhere in the fine print does it specify 5% is for small-or medium-sized companies.

In fact, the entire section discussing it, is vague, indicating any insurer "may commit" to writing more policies" in fire-prone areas "by at least 5%."

Plus, insurers have two years to act on this if they choose to at all. On page 12, there's an option for insurers to propose an "alternative commitment," allowing insurers to decide what they would cover.

7 On Your Side's Stephanie Sierra wanted to go back and ask Lara about these follow-up questions, but the interview was cut off just under 30 minutes.

"Stephanie, I got to go... bye," Commissioner Lara said before leaving the call that took two months to set up after more than a dozen ignored requests.

Our follow-up

We followed up with an email, specifically asking his staff to point out where in his regulation it mentions the 5% option is for small- or medium-sized companies.

Commissioner Lara's office never did. In part, because it does not exist.

Instead, we received the following statement from Lara’s Deputy Commissioner of Communication Michael Soller: “regulations are written broadly to enhance enforcement authority,” adding the department plans to enforce his promise through rate filings.

So, if insurers have the option to expand coverage by 5 to 85% — is that holding them accountable?

“That’s the fundamental problem we have, we have a weak commissioner... companies know it and they’re exploiting it,” said Jamie Court, President of Consumer Watchdog.

Consumer Watchdog has been criticized about a unique provision of Prop 103. Specifically the part of the law that allows for public entities like the advocacy group to intervene in an insurance company’s application for rate increases. According to the law, the group can financially benefit from intervening.

We got an independent perspective from Amy Bach, the Executive Director of United Policy Holders, a nonprofit insurance advocacy group.

“Look, you know, do I think it is a perfect plan? No. You know, do I think that there’s a lot of wiggle room here for insurers? Yes, I do. Do I think this was probably the best deal that he was able to negotiate with insurers to try to bring them back? I guess it is,” said Bach.

However, Bach added she wants to believe the Commissioner added the range for a practical purpose.

“I would like to give the Commissioner’s team the benefit of the doubt that they put the range in there, because it’s a practical reality that some insurers just based on where they’re currently insuring and what the size of their footprint is,” Bach said. “And that was his effort to give them the flexibility that they needed to meet the requirement.”

The Commissioner has testified before the Assembly Insurance Committee three times about this proposal, most recently in September. He has repeatedly denied the concerns raised hold any merit – describing the plan as a way “to think creatively... with consumer protection at the forefront.”

No mandate of compliance

Sierra: “Is it true that there is no mandate of compliance? Whether it is between 5 and 85%...there is no

mandate of compliance.”

Commissioner Lara: “We cannot mandate underwriting.”

The commissioner says he cannot legally mandate insurers to comply with this regulation, citing Proposition 103 — which ironically, is California’s law that aims to hold insurers accountable by “protecting consumers from arbitrary rates and practices.”

“He’s mistaken,” said Harvey Rosenfield, the author of Prop 103.

Rosenfield, who is also the founder of Consumer Watchdog, says the California Supreme Court has since de-published the case law the commissioner’s office is using to make that argument adding it is “no longer part of the law.”

“We’ve sent him two years ago a legal opinion and legal analysis that showed under Prop 103, he does have the authority to determine whether insurance companies are underwriting properly or not,” said Rosenfield.

Rosenfield believes Commissioner Lara can still use his emergency authority in these situations. For example, the commissioner could implement a rate freeze on insurers, like Congressman John Garamendi (D - CA 8th) was able to do for more than three years during his tenure as insurance commissioner.

“Commissioner Lara has that same power, but he just doesn’t use it,” Rosenfield said.

Accountability

Sierra: “Again, you have that legal authority to file suit against some of these insurers.”

Commissioner Lara: “Of course, of course...we’re in a crisis!”

Sierra: “Yes, Commissioner we’re all aware. So, will you do that?”

Commissioner Lara: “Of course, we’re always in litigation with the insurance companies that break our rules and break our laws. That is something that’s, you know, automatic that we’re constantly, always working with our enforcement branch.”

Sierra: “How many cases have you had in litigation against State Farm, Allstate, USAA?”

Commissioner Lara: “I do not know off the top of my head, but we can get you that information.”

7 On Your Side Investigates could not find any litigation the California Department of Insurance filed against those insurers pertaining to wildfire insurance issues. We asked his office to confirm — but his team did not give a straight answer and forwarded our questions to the public records office. That was nearly two weeks ago.

Yet in the interview Lara told us, “I can send you a list of different court cases that we’ve won — where we continue to hold insurance companies accountable.”

Lara’s office provided a list of five cases the commissioner has won against insurers for allegedly overcharging consumers since elected in 2018. But we found only two of them resulted in penalties.

His department has yet to clarify whether the other three cases resulted in any penalties or refunds since we made the request weeks ago. There were also no records about those cases made available on his website.

According to Lara’s staff, the department resolved 180 administrative lawsuits against companies from 2019 to 2024, but still have not clarified how many of them involved the top twenty insurers in the market, underwriting or wildfire insurance related issues.

Lara’s office told ABC7 he does not have the authority to intervene in underwriting citing a California Court of Appeals ruling that documents show has since been de-published by the California Supreme Court. His staff adding the department has not been in litigation to regulate underwriting in 19 years.

Looking ahead to 2025

“Look, we need competition,” said Amy Bach, with United Policyholders. “Competition between insurance companies is a big factor in keeping rates down.”

Commissioner Lara says his plan will do that. But will it come at a cost?

“We’re going to bring back insurance competition into these communities to draw down the cost,” he said. “We’re going to get this done in one year and that is unheard of... we’re literally flying and building the plane at the exact same time.”

“He’s going to crash that plane and all of us with it,” said Rosenfield.

“Homeowners specifically,” Rep. John Garamendi said.

Garamendi sent Lara a letter signed by dozens of other lawmakers expressing concern his plan will not work.

“I was looking at my insurance policies, and in the last three years, the rates have tripled. Why? I have no idea, because the commissioner has never forced the insurance companies to show their financial situation, to show exactly what they are charging,” said Garamendi. “There’s no transparency!”

Consumers have complained to 7OnYourSide about the lack of transparency and access on Lara’s website to track information on insurance companies.

But the Commissioner pledged transparency will be a priority in 2025. It is just unclear how exactly his site will change and how consumers and officials will be able to verify decisions on their rates or policies will not be unfair or discriminatory.

Lara’s enforcement promise

Sierra: “Putting pressure on these insurance companies... How are you going to make that commitment to your constituents?”

Commissioner Lara: “With our current enforcement tool, if they don’t abide by the agreement, then guess what — I can retract that rate and hold them accountable and force them into a discount.”

Meanwhile, consumers like Janet Mountjoy will be waiting to see if that happens.

“We all need help,” said Janet, now forced to the California Fair Plan. “This is just awful.”