



July 8, 2019

Insurance Commissioner Ricardo Lara  
Department of Insurance  
300 Capitol Mall, Suite 1700  
Sacramento, CA 95814

Dear Commissioner Lara:

Proposition 103 made the office of insurance commissioner an elected position in order to make the commissioner accountable to the voters who pay insurance premiums, not to the insurance companies the commissioner regulates. Honoring the voters' trust, all but one of the previous elected insurance commissioners have refused to accept campaign contributions from the insurance industry.

As the San Diego Union-Tribune reported Sunday, you have accepted \$54,300 in campaign contributions from people linked to insurance companies since you became Commissioner in January. Three of the four donors are tied to an insurance company whose pending acquisition requires your official approval.

Taking that money is a violation of the pledge you made to voters to not accept campaign contributions from the insurance industry. The Union-Tribune also reported that you appear to have kept money you took last spring from The Doctors Company, a medical malpractice insurance company, despite a promise you made to the public during the campaign that you would return those funds.

As Insurance Commissioner, you oversee insurance policies worth hundreds of billions in annual premiums paid by Californians. Such decisions should not be made under a cloud of improper industry influence. To preserve the integrity of your office, and to demonstrate your personal independence from the insurance industry, you must immediately return the contributions in question and commit to rejecting insurance industry money in future. To do otherwise would be a betrayal of the people of California.

No candidate for insurance commissioner has won the office after accepting insurance industry campaign contributions since Commissioner Chuck Quackenbush resigned in disgrace in 2000. Quackenbush was embroiled in a year-long scandal and faced prosecution for soliciting contributions from insurance companies who were under scrutiny by the Department after the Northridge earthquake.

The recent contributions to your 2022 reelection campaign fund appear intended to covertly grease the wheels for a legal matter currently pending before the Department of Insurance. Three of the four donors are tied to Applied Underwriters, a national insurance company that is required to obtain your approval of its proposed acquisition. The paperwork seeking approval was submitted to you just one month after you received the contributions. Three of the donors are spouses of insurance company executives. It is unlawful to offer or accept money in exchange for your official action as Insurance Commissioner.

Moreover, Applied Underwriters and its California subsidiary, California Insurance Company, have a history of questionable practices. It settled an action brought by the Department of Insurance in 2017 after its sales of its workers compensation policies were halted for bait and switch marketing and overcharges. It is currently fighting legal actions brought by five other businesses it insured for the same unlawful practices. The company's refusal to repent for its previous misdeeds should raise concerns in any normal review of the acquisition.

The company's request for your approval also contains troubling statements that seem to be intended to solicit your personal favor. As the Insurance Commissioner of California, you chair the National Association of Insurance Commissioners' Cannabis Insurance Working Group, and you have made wildfire and cannabis insurance priorities during your first months in office. Applied Underwriters' application promises that the workers compensation insurer "will expand its business operations to include Wildfire Home Insurance to California homeowners, Home Insurance to California homeowners in inner-city areas, and workers' compensation to employers involved in the cannabis industry."

No insurance commissioner should take money from the industry he or she regulates. Applied Underwriters appears to think its executives and their families can buy your support. Disabuse it of that notion by returning the money immediately and pledging to reject any future insurance industry contributions. It is the only way to prove your independence from the industry you regulate and keep faith with the voters whose interests you have sworn to protect.

Sincerely,



Harvey Rosenfield



Carmen Balber