



September 21, 2023

Governor Gavin Newsom
1303 10th St Suite 1173
Sacramento, CA 95814

Re: Don't Declare State of Emergency On Insurance At the Expense Of the 97%

Governor Newsom,

We understand you are considering declaring a state of emergency, or issuing an executive order invoking an emergency, in order to give Insurance Commissioner Ricardo Lara power to waive the rules that have protected California homeowners, renters, motorists and small businesses from price gouging for over thirty years. Independent experts say the rules have saved Californians hundreds of billions of dollars.

We write to dissuade you from such an action, which would be a great disservice to tens of millions of Californians who depend on those rules for affordable insurance.

A very small percentage of California's insurance market – 3% – has been forced out of the California market into the FAIR plan. As you recently acknowledged to Politico, you are among those homeowners unreasonably abandoned by the insurance companies in the private market and forced to buy a policy that is more expensive, with fewer benefits.

While this is unfair to you and others, it does not constitute a statewide emergency that justifies forcing the other 97% of people in the homeowners insurance market to pay more for their insurance.

By signaling a state of emergency, you would be empowering the Commissioner to put your 3% above the needs of the 97% -- without any guarantees that the 3% would even be offered insurance coverage.

This would be a capitulation to the demands of the insurance industry, which contrary to its propaganda, has been more profitable in California over the last twenty five years, operating under Proposition 103 rules, than the national average. Those rules entitle insurance companies to any rate increase that they can justify in a public process that gives consumers the right to independently participate. Without the rules, insurance premiums will skyrocket.

By giving the Commissioner emergency powers to throw out the rules that protect against higher rates, you would be tacitly sending California on the same course as Florida. As you have acknowledged, Florida rates are 2 to 3 times as high and 5 times as many people there are in the equivalent of the Fair Plan.

Insurance Commissioner Lara should not be entrusted with these extraordinary powers. Lara accepted tens of thousands of dollars in campaign contributions from insurance companies, after claiming he would not, then was forced to return them. Lara is currently under investigation by the Fair Political Practices Commission (FPPC) for illegally accepting contributions from insurance companies through a third-party committee during his last election and failing to disclose it.

Lara was also the leader of the proposed back room deal in the legislature between insurance companies and builders that excluded consumers from the table. It collapsed because most lawmakers recognized it would be a disaster for their constituents. His public calendar for recent months is littered with meetings with insurance companies, but not a single meeting with consumer groups. Lara has refused to meet with Consumer Watchdog, ignoring written requests for nearly a year.

If you declare a state of emergency that empowers Ricardo Lara to throw out rules protecting policyholders, you will be complicit in the rate hikes that ensue.

Don't Give In, Governor. There are other ways to address the impact of climate change that we have outlined and can be worked out in the legislature with an appropriate public process. It cannot be solved unilaterally by bowing to the industry's self-serving demands and its extortionary threats that they will leave the state. A fair solution will only come with everyone at the table – including consumer groups like ours that have been excluded although we have effectively watchdogged this industry for 35 years.

Declaring an emergency would be an exceedingly rash move because there have been no serious, independent analyses or data about the insurance companies' actual financial situation. The Commissioner has the power to collect that data from the industry, but has failed to do so.

We urge you to work in concert with us for a fair resolution that forces the insurance companies to cover people who harden their homes – a solution the Insurance Commissioner has no power to leverage.

Absent a solid guarantee from the industry they will cover all people who harden their homes, a proposal by Senator Mike McGuire that couldn't even get a hearing in the Assembly Insurance Committee this year, homeowners like you will continue to dangle in the wind.

Allowing insurance companies to boost premiums behind closed doors will NOT stop them from dumping customers who live in high risk areas, or even non renewing customers as way of

decreasing their liability in the Fair Plan. This is a problem with land use that has nothing to do with the insurance companies demands for quicker, higher rates.

Please don't give Ricardo Lara the power to turn California into Florida.

Sincerely,

A handwritten signature in cursive script that reads "Harvey Rosenfield".

Harvey Rosenfield

A handwritten signature in cursive script that reads "Jamie Court".

Jamie Court