



November 1, 2023

Governor Gavin Newsom
1021 O Street, Suite 9000
Sacramento, CA 95814

Senate President pro tempore Toni Atkins
1021 O Street, Suite 8518
Sacramento, CA 95814

Speaker of the Assembly Robert Rivas
1021 O Street, Suite 8330
Sacramento, CA 95814

Re: Commissioner Lara's deregulation deal sticks consumers with same bare-bones coverage they have access to today

Dear Governor Newsom, Senate pro tem Atkins, and Assembly Speaker Rivas:

We now know that the deal cut by Insurance Commissioner Ricardo Lara with the insurance industry will not restore affordable insurance to a single California home or business owner. In exchange for deregulating insurance in California, consumers would get no more than the bare bones coverage they are guaranteed today.

Documents uncovered by Consumer Watchdog through a public records request reveal that the quid pro quo for allowing insurance companies to plunder California – the insurance industry's "commitment" to resume the sale of insurance – is riddled with loopholes. It's an insurance fraud, while higher costs for consumers through deregulation are very real.

A detailed analysis of the Commissioner's deal with the industry, and the documents themselves, are enclosed.

Here is what the documents containing the Commissioner's plan show:

Insurers would be allowed to meet the deal's only consumer benefit - their "commitment" to expand home insurance coverage in wildfire areas to 85% of their market share outside risky areas - by offering the same inadequate coverage you are trying to rescue homeowners from in the FAIR Plan today.

The commissioner could waive the “85% commitment” entirely for any insurer that claims it cannot meet it.

The bill’s other provisions to facilitate unjustified rate hikes mean consumers will be unable to afford the policies insurers are willing to sell.

While your offices had different levels of engagement with the Commissioner’s plan, the legislature ultimately rejected it. Commissioner Lara then announced he would do most of it by regulation instead. The wisdom of your refusal to embrace the Commissioner’s plan is clear now that the details are out. Given its complete lack of consumer benefit, coupled with guaranteed, across the board price spikes, the public is sure to reject it too.

Consumer Watchdog’s records request also uncovered details about how Lara plans to illegally gut the consumer protections of Prop 103 that have saved Californians hundreds of billions of dollars, including the right of groups like Consumer Watchdog to independently scrutinize and challenge rate increases that are unjustified.

We urge you to reject this framework and move forward with a transparent, democratic process to address the access and affordability crisis the insurance industry has created in California. At the top of the list of consumer solutions should be a law that requires homeowners insurance companies to sell coverage to anyone who does regular mitigation and fireproofs their home to protect it from wildfires. Any company that refuses should lose the right to sell both home *and* auto insurance in California.

Contrary to its propaganda, the insurance industry is not on the brink of ruin in California. The home insurance line has been more profitable in California over the last twenty five years, operating under Proposition 103 rules, than the national average. The most recent data from the Department of Insurance shows that over the last four years, loss ratios in the home insurance line in California have ranged from 33% to 55%. Average loss ratios nationally were consistently higher, ranging from 58% to 71%.

You cannot right the home insurance market in California by following the industry playbook of deregulation, indiscriminate price hikes and redlining more and more of California as uninsurable. We need to strengthen the state’s consumer laws, reduce risk and make insurers follow the fairness rules that have protected us for decades.

Sincerely,



Harvey Rosenfield



Carmen Balber

cc: Senate pro tem-elect Mike McGuire