

## OP-ED



THE POST FIRE burning through the Hungry Valley State Vehicular Recreation Area north of L.A.

## With fires burning again, is California uninsurable?

Thursday marks the beginning of summer, but early wildfires have already scorched the outskirts of L.A. and the Bay Area. Many California homeowners find themselves more vulnerable than ever as major insurers abandon areas threatened by climate change-fueled fires. Gov. Gavin Newsom and state Insurance Commissioner Ricardo Lara have responded with efforts to ease regulations and boost coverage.

Insurance industry representative Rex Frazier argues that state leaders have the right idea: Burdensome regulations are making a difficult situation worse. But consumer advocate Jamie Court contends that the state needs to take a harder line by requiring coverage of homeowners who meet fire protection standards.

### A sclerotic insurance bureaucracy isn't helping

By Rex Frazier

AS THE LEADER OF AN ASSOCIATION of homeowners' insurers, I frequently hear from anxious Californians who are losing coverage and wondering whether the situation will get better. My answer is that I am not one of those who believes California is facing an uninsurable future. The problems we face are difficult but solvable.

The insurance challenges the state is facing today have roots in the past. While the giant wildfires of 2017 and 2018 had a huge impact, requiring insurers to pay claims equivalent to more than 20 years of profits, the state's insurance problems predate the fires. California's failure to update the old rules governing insurance rates have long prevented insurers from preparing for a hotter, drier future.

California's laws are a national outlier. The rules for projecting wildfire losses, a crucial aspect of calculating insurance rates, are a case in point. California is the only state in the country that requires property insurers to project future wildfire losses based on average wildfire losses over the last 20 years, regardless of where they plan to do business. Every other state allows insurers to base their rates on where they intend to sell insurance, taking into account the degree of fire risk to the properties they plan to insure.

California is also a national outlier on rate approval in that it's a "prior approval" state. That means an insurer must receive approval from the California Department of Insurance before it may increase or decrease rates.

While California law promises a 60-day approval period, it often takes six months or more to get permission to change rates. At times of high inflation, slow approvals require insurers to leave the highest-risk areas or

face financial ruin.

A less visible but nevertheless critical issue is the financial well-being of the FAIR Plan, a pool of insurers providing last-resort coverage. The FAIR plan is growing well beyond its ability to pay claims for large fires. And if it runs out of money, it will charge insurers, as members of the pool, a fee in addition to claims from their own customers for the same fire. If that fee gets large enough, it could devastate insurers. We must address this.

Fortunately, Insurance Commissioner Ricardo Lara has recognized the need to fix these problems. His Sustainable Insurance Strategy would update California's rate regulations and approval process while requiring insurers to make commitments to cover high-risk areas. The proposal is far from perfect, but we look forward to working with all the interested parties to increase insurance availability and restore the health of the market.

While state regulations and processes can be changed, we remain vulnerable to forces that are beyond our control. Inflation makes repairing and rebuilding homes much more expensive, driving up rates. Longer dry seasons increase the chances of devastating fires, having the same effect in the short term. We need a system that acknowledges these realities.

But raising rates is not a long-term solution. Reducing them over time will require consensus on how to handle combustible fuels near valuable property.

That will take a lot of time and effort. California homeowners' insurers are ready to do our part to secure an insurable future for the state.

REX FRAZIER is the president of the Personal Insurance Federation of California.

### State should look out for homeowners, not insurers

By Jamie Court

HOME INSURANCE COMPANIES have put Californians in a bind by refusing to sell new policies or renew many customers, leaving them with few options. That drives more homeowners into the high-cost, low-benefit FAIR Plan, a pool of insurers providing last-resort coverage.

Gov. Gavin Newsom recently announced legislation to allow insurance companies to hike rates more quickly in an effort to woo them back to the state. While that will leave Californians paying higher rates, it's not likely to get more people covered.

Insurance companies are refusing to write new policies despite substantial recent rate hikes — an average of 20% for State Farm and 37% for Farmers, for example. What has them spooked is greater exposure through the FAIR Plan, which increasingly covers expensive homes in wildfire-prone areas. Insurers are on the hook for FAIR Plan claims, and their exposure increases with market participation, so they limit participation.

Only freeing people from the FAIR Plan will solve this. The most practical way to do that is to require insurers to cover people who harden their homes against fire. We have mandatory health and auto insurance, so why shouldn't we have it for homes that meet standards?

Hardening is expensive enough that most homeowners are unlikely to do it without guaranteed coverage. Mandating insurance is therefore the best way to mitigate fire risk.

Mitigation efforts are already working, with major claim events dwindling in recent years. Moreover, insurers recovered billions from the utilities responsible for major fire losses in 2017 and 2018.

The current crisis was precipitated not so much by wildfires as by investment losses and rising construction costs. Insurers responded

by tightening underwriting and raising rates.

Insurance companies got their hikes, but they refuse to write new business here until they get more. Unfortunately, Newsom and Insurance Commissioner Ricardo Lara are ready to give them what they want.

Last week, Lara proposed regulations attempting to address the crisis. Echoing a legislative proposal that failed last year, they would allow companies to raise rates based on black-box climate models. Florida tried a similar approach, and its rates are now about double California's. Florida's insurer of last resort covers 20% of its homeowners, roughly five times the share in California.

The proposed regulations purport to require insurers to increase sales to homeowners in "distressed areas" by 5%. But they would not require them to charge affordable prices. The requirement to cover these areas could also be waived if an insurer shows it's "taking reasonable steps to fulfill its insurer commitment." And the plan gives companies two years to comply but lets them charge all policyholders more immediately.

Newsom cheered the proposal, essentially arguing that California's insurance rates are too damn low. He didn't mention that California insurer profits have generally outpaced the U.S. average for 20 years.

Newsom's latest proposal would limit public participation in rate-setting by cutting out so-called intervenors such as Consumer Watchdog, which can challenge unnecessary increases and has saved consumers more than \$6 billion over 22 years.

Throwing money at insurers won't end the crisis; requiring them to cover responsible homeowners will.

JAMIE COURT is the president of the nonprofit Consumer Watchdog.

## Kowtowing to Trump doesn't get much worse

JACKIE CALMES

It was so predictable. Speaker "MAGA Mike" Johnson belatedly did the right thing in April by allowing the House to approve aid to Ukraine over most Republicans' opposition. Even former Speaker Nancy Pelosi called him "courageous." Yet ever since, he's been trucking to his fellow House right-wingers, and to Donald Trump, to make up for his perceived heresy.



Two of Johnson's recent actions show just how low he'll go to kowtow to the disgraced former president and his MAGA disciples in the House, and how hypocritical they all are.

On Friday, Johnson announced that the House would go to federal court to press charges against Atty. Gen. Merrick Garland for contempt of Congress. Two days earlier, the House had voted along party lines to seek the Justice Department's prosecution of its boss. The department declined and within hours Johnson said the House would proceed on its own.

At issue is Garland's refusal to give Republicans an audio recording they subpoenaed of President Biden's interview in the fall in the

investigation of his past handling of classified documents, which didn't result in criminal charges. Garland did provide other materials the House sought, including a transcript of the interview, but Biden asserted executive privilege over the audio.

For all the Republicans' high-falutin posturing about respect for Congress, you know their real reason for demanding the recording: They figure the audio must include parts they can exploit to embarrass Biden. They've coveted it ever since the Republican special counsel who interviewed the president unnecessarily alluded in his report to Biden's advanced age, poor memory and "diminished faculties."

Johnson, on message, condemned the refusal to prosecute Garland as "another example of the two-tiered system of justice brought to us by the Biden Administration."

Only a shameless Trump toady would keep spouting that "two tiers" nonsense after the Justice Department's successful prosecution of Biden's son, with a second federal trial in September. And House Republicans layered on another preposterous lie: Hunter Biden's conviction was a feint to distract us from the real crimes of the father, the ones that House Republicans haven't been

able to identify despite more than a year of investigations.

The actual double standard is Republicans': They want Garland prosecuted for only partially complying with a congressional subpoena, yet their ranks include members who utterly scorned subpoenas from the House Jan. 6 committee to testify about their efforts to help Trump overturn the 2020 election. They even turned their defiance into fundraising pitches: "I'VE BEEN SUBPOENAED" was the Trumpian headline atop one email.

That boast came from Rep. Jim Jordan of Ohio, now chair of the Judiciary Committee that recommended Garland be held in contempt. Prominent among the others who flouted subpoenas was Rep. Scott Perry of Pennsylvania, who begged Trump postelection to name an acting attorney general who would declare the election fraudulent. Perry's phone, seized by FBI agents, was rich with incriminating calls and messages ("11 days to 1/6 ... We gotta get going!" he texted the White House at one point). And no less than the highest-ranking official within the building that was attacked, then-Speaker Kevin McCarthy of Bakersfield ("My Kevin" to Trump), also ignored his subpoena to tell what he knew.

The Jan. 6 committee, in its

report, justified its extraordinary subpoenas of House members by describing "the centrality of their efforts" to help Trump illegally stay in power. For example, in December 2020, Trump named Jordan and Perry when he urged resistant Justice Department officials to "just say the election was corrupt and leave the rest to me and the Republican congressmen."

The contempt for Congress is all theirs, not Garland's. Perry also figures in Johnson's other recent Trump-toadying gambit. At the former president's urging, the speaker quietly named Perry and Rep. Ronny Jackson of Texas to the House Intelligence Committee, one of Congress' most sensitive and least partisan panels, privy to classified information that most other lawmakers don't see. It's a posting that neither Perry nor Jackson deserve, which is why their appointments reportedly incensed the committee chair, Michael R. Turner of Ohio, among other more moderate House Republicans. Turner told CBS' "Face the Nation" on Sunday that the speaker promised to intervene in the event of "improper" behavior by the two.

Why the concern? As former Rep. Adam Kinzinger, Liz Cheney's fellow Republican profile in courage on the Jan. 6 committee,

put it in a recent podcast, Perry had been the House member the committee most wanted to force to testify, because he was considered "basically the driving force behind Jan. 6" among those in Congress.

As for Jackson, he so flattered Trump when he was the White House doctor that Trump picked him to be Veterans Affairs secretary, a nomination that imploded amid allegations that Jackson drank, abused staff and improperly dispensed drugs (nickname: "Candy Man"). Demoted to captain after a Pentagon investigation, he still called himself a rear admiral on his congressional website until the Washington Post revealed his deceit in March.

A former counsel to the Intelligence Committee — a Republican — said that Perry and Jackson "couldn't get a security clearance if they'd come through any other door." But Johnson has put them in position to know the nation's deepest secrets just to please Trump, who is charged himself with taking and sharing classified documents.

That makes sense only if your motivation isn't the country's interests but instead those of the once and perhaps future president. Which pretty much describes the House speaker.

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