

Building Resilience

An Interview with Ricardo Lara, Insurance Commissioner, California Department of Insurance (CDI)

EDITORS' NOTE Raised in East Los Angeles by immigrant parents, Commissioner Ricardo Lara made history in 2018 by becoming the first openly gay person elected to statewide office in California's history. Commissioner Lara previously served in the California Legislature, representing Assembly District 50 from 2010 to 2012 and Senate District 33 from 2012 to 2018. Commissioner Lara earned a BA in Journalism and Spanish with a minor in Chicano Studies from San Diego State University.



Ricardo Lara

DEPARTMENT BRIEF The California Department of Insurance (insurance.ca.gov) was created in 1868 as part of a national system of state-based insurance regulation. Today, CDI is the largest consumer protection agency in the state. With annual direct premiums of \$310 billion, California is the largest insurance market in the United States and the fourth largest insurance market in the world. Nearly 1,400 dedicated employees work at CDI to oversee more than 1,400 insurance companies and license more than 420,000 agents, brokers, adjusters, and business entities. In the normal course of business, CDI annually processes more than 8,000 rate applications, issues approximately 200,000 licenses (new and renewals) and performs

hundreds of financial reviews and examinations of insurers doing business in California. CDI annually receives more than 170,000 consumer assistance calls, investigates more than 37,000 consumer complaints and, as a result, recovers more than \$84 million a year for consumers. CDI also annually receives and processes tens of thousands of referrals regarding suspected fraud against insurers and others and conducts criminal investigations resulting in thousands of arrests every year. In 1988, California voters passed Proposition 103, a citizen-led initiative. Proposition 103 expanded CDI's authority as well as changed the Insurance Commissioner from an appointee of the Governor to an independent statewide officer elected by popular vote. CDI enforces the insurance laws of California and has authority over how insurers and licensees conduct business in California.

What attracted you to public service and interested you in becoming Insurance Commissioner of California?

Growing up in Southern California, I experienced our climate and clean air crisis firsthand. I saw the unequal impact that pollution has on Latino and immigrant communities like the one where I was born. What drove me to seek

public office was witnessing the anti-immigrant politics that swept California in the early 1990s, and realizing the disconnect between the strong, resilient community where I grew up and the rhetoric I heard from many elected leaders. That rhetoric was not just completely at odds with reality, it was a threat to the health and safety of millions of Californians because it blocked us from making real progress.

When I served in the California Legislature, I created the only state-level laws to reduce super-pollutants like methane, black carbon and refrigerant chemicals. I saw a huge opportunity to influence the insurance industry to take on the threat of climate change which we are seeing now in record-setting wildfires and heat waves. Insurance is in the business of risk and it needs to be doing much more to foster resilience and mitigation.

How do you describe your leadership style and what do you see as the keys to effective leadership?

I have always set extremely ambitious goals for myself and my staff. I am not satisfied if we are not swinging for the fences on every issue. When someone tells me an issue is too complex, or too "controversial," or the time just isn't right, that just makes me work harder. I think I get that from my parents. Don't try telling my mom she can't do something. She will prove you wrong every time.

Making good policy is about mastering the details, but it is also about articulating a clear

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vision. As a leader you can't be a control freak. You have to trust your team to bring you the right data to make good decisions.

How do you define resilience and how critical has resilience been in addressing the challenges facing California?

Resilience is the ability to bounce back from adversity. That quality really describes California, where we have had our share of disasters and recessions, and always come back stronger. But to be resilient you need to have resources and support. You need healthcare for your family. You need to have financial reserves. When you are living too close to the edge, it is hard to avoid being pushed over.

Having the right insurance can be part of building resilience, for families, business and government. I am pursuing a dual strategy of building resilience while also reducing the risk of loss. That is where the insurance industry can play a much bigger role than it has in the past.

What do you see as the contribution that California can make to build a more resilient world?

As one of the world's largest economies that has faced pollution as a major public health issue for decades, California has pioneered many strategies to increase community resilience. Our investments in healthcare have brought the number of uninsured people to a record low. Our targets for reducing super pollutants and transitioning to a clean energy grid and clean-air vehicles are driving market

changes toward better technologies. California is pursuing these strategies in partnership with other states and NGOs. The federal government is currently absent in all of these areas or working actively to reverse them, which is why state-level actions are so encouraging in this moment.

California is already an international partner with other subnational governments through the Under 2 MOU and with other countries through the Conference of Parties, Sustainable Insurance Forum, and in partnership with the United Nations Environment Program.

What role can insurance regulations and innovations make to increase climate resilience?

I am actively working with several partners on climate innovations. We have launched the first state-level partnership with the United Nations' Principles for Sustainable Insurance to create a sustainable insurance road map that will guide us for the future. This road map will have achievable goals for reducing insurance industry fossil fuel investments and mitigating climate risks.

I also just launched a database of green insurance products that are available for consumers and businesses not just in California, but internationally. This was a key recommendation of a recent national report for regulators, and we are the first to do it. It includes things like insurance for green retrofits to rebuild after losses and we are already working with our UN partners to continue to build this database.

I joined the Extreme Heat Resilience Alliance which was created this year to confront the rising threat of heat waves. I called for us to name and rank heat waves, like we do other natural disasters. We have the example of hurricanes and typhoons, and in California we have "red flag warnings" of extreme fire conditions. Heat waves already claim more lives than all other climate-related disasters, and they are predicted to be a growing threat particularly to urban areas. If we had a similar naming and ranking system for heat waves, we could get the public's attention, provide more effective forewarning, and put policies in place to better protect them.

What is the role of nature-based solutions and how do they intersect with insurance strategies?

Nature can be an ally in our fight to become more resilient. I talk a lot about protective "natural infrastructure," such as health forests and wetlands that can serve as a buffer against wildfires and storm surges. We need strategies to protect and restore these in the event of a loss, just as we would for a home or business. When I was in the Legislature, I wrote the nation's first climate insurance law, which I have now implemented at the Department of Insurance. We have a working group that will soon be coming out with recommendations regarding the impact of wildfires, sea level rise, and extreme heat. I am looking forward to this report later this year and how it will address nature-based solutions. ●

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