RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

October 28, 2026

The Honorable Lisa Calderon
Chair, Assembly Committee on Insurance
California State Assembly
1021 O Street, Room 4650
Sacramento, CA 95814

The Honorable Cottie Petrie-Norris
Chair, Assembly Committee on Utilities and Energy
California State Assembly
1021 O Street, Room 8120
Sacramento, CA 95814

RE: Assembly Committee on Insurance and Assembly Committee on Utilities and Energy Joint Oversight Hearing on "Subrogation" – Thursday, October 29, 2026

Dear Chairs Calderon and Petrie-Norris:

I am writing this letter in anticipation for the joint oversight hearing on "Subrogation" by the Assembly Committee on Insurance and Assembly Committee on Utilities and Energy scheduled on Thursday, October 29, 2026 in Sacramento, California.

Our partnership since 2019

As I conclude the end of my tenure as California's 8th Insurance Commissioner, I first want to sincerely thank the California State Legislature for the tremendous partnership with me and my Administration here at the California Department of Insurance. Since 2019, we have been working through an unprecedented insurance and wildfire crisis together. We have always shared the same goals: protecting Californians, supporting wildfire survivors, reducing wildfire risk, holding bad actors accountable, ensuring families can obtain the insurance coverage they need, and building a stronger and more resilient state. These goals are interconnected, and lasting solutions require thoughtful collaboration across government, industry, and communities statewide.

This year in particular, my staff and I came into the conversations around wildfire liability with an open mind, we understood the objectives you were all trying to achieve, and we remain committed to helping find common ground.

I want to start with where we agreed. I agree that wildfire survivors should be paid quickly, and that utilities should be held accountable when they cause catastrophic fires. I agree that we should do everything possible to avoid lengthy litigation and get money into the hands of impacted families faster. These have been guiding principles throughout my tenure. We have made important progress on these goals. For example, the California State Legislature passed, and the Governor signed, several of my sponsored bills to require earlier payouts from insurance companies to policyholders, including rapid deployment of

insurance policy funds for Additional Living Expenses and the removal of some major procedural barriers in the case of a total loss.

I also understand the argument that wildfire survivors should come before insurers. But that is exactly what happens today for insured wildfire survivors. When a wildfire destroys a home, insurers pay their policyholders according to their policies. My Department works aggressively to ensure those claims are paid fully and as quickly as possible. In the first three weeks after last year's Palisades and Eaton Fires, $4.2 billion moved from insurance companies to their policyholders, and payments have continued to grow as claims were adjusted and rebuilding plans initiated. You can find the latest data on those payments here and those insurance payouts – totaling $25.2 billion (as of July 6, 2026) – represent approximately 80% of the overall wildfire recovery funding to the Los Angeles region.

With your continued partnership of my sponsored bills through the years, California has strengthened protections over the years with automatic living expense payments, faster contents coverage payouts, and more efficient claims handling standards, among many other consumer safeguards specifically designed to speed recovery. The people who often remain waiting are those who are uninsured, underinsured, suffered bodily injury, lost loved ones, or have claims that fall outside an insurance policy. Those are very real concerns and they deserve attention.

For me, the question is not whether survivors should be paid first – we all agree on that. The question is whether any reform improves outcomes for survivors without producing significant costs for millions of insurance policyholders across California. That is where I believe we need to carefully evaluate the policy implications.

The areas of the final legislative proposal that I supported

I also want you to hear directly from me that there were major components of the final agreed-upon proposal reflected in the August 30, 2026 version of Senate Bill 492 that I strongly supported such as:

- Stronger utility safety accountability.
- Escalating penalties and stronger enforcement.
- Faster compensation mechanisms for wildfire survivors.
- Limiting the role of private equity and hedge funds in wildfire claims.
- Reforms that ensure more recovery dollars reach actual survivors rather than intermediaries.

I believe this compromise reflected the complexity of the challenges before us. It advanced important efforts to strengthen wildfire preparedness, improve community resilience, increase accountability, and support wildfire survivors, while ensuring more time is taken to think thoughtfully and critically in order to ensure reliable, clean, affordable energy by utilities and increased insurance options offered by more insurance carriers in our state's wildfire distressed regions.

Several provisions included in this legislation also built upon years of leadership by my Department in partnership with you and the Governor's Administration to better align wildfire mitigation, risk transparency, accountability, preparedness, and insurance availability. These investments recognize an important reality: California's long-term insurance future depends not only on how we respond to disasters, but on how effectively we reduce and manage risk before natural disasters occur.
There is much more in this major public policy discussion that I support than have concerns with.

We should carefully consider the ultimate impact of subrogation elimination on consumers
From the perspective of an insurance regulator that regulates the world's fourth largest insurance market, I must ask what happens next. Because what I continue to hear from insurers, reinsurers, my actuaries and rate regulation experts, and financial experts is that changes to eliminate subrogation would alter the economics of the market in very significant ways.

The concerns that my staff and I have raised from the very beginning of this discussion always included:

- Higher premiums, particularly in wildfire-prone communities where premiums have been rising for years.
- Reduced underwriting appetite among some carriers and, consequently, greater pressure on the FAIR Plan.
- Less insurer participation in wildfire distressed and high-risk regions.
- Potential impacts on the momentum we are beginning to see under my Sustainable Insurance Strategy.

These concerns are not theoretical. They are based on my Department experts' expertise and thoughtful analyses as well as on-going real conversations with insurance companies making real decisions about whether to stay, grow, or pull back in California. Because you – as elected members of the California State Legislature – have also pushed for meaningful progress made by insurers to rewrite more new business across our state, especially in wildfire risk areas.

Impacts to the Sustainable Insurance Strategy could be real and significant
And, as a result of this hard work together, we all have seen tremendous engagement from insurers committing to participate and expand under the Sustainable Insurance Strategy, the most significant modernization of California's insurance framework in decades. In fact, under this strategy, 12 homeowners insurance companies are staying and growing in the state, including 7 of the top 10 insurers by market share.

To put it directly, my concern is how potential dramatic changes to subrogation will affect the long-term success of the Sustainable Insurance Strategy that we have spent years building together. This strategy was built around a balanced framework. We pushed insurers to expand their commitment in California, increase availability, and write more business in underserved and higher-risk areas. As part of that negotiation, we modernized parts of the decades-old regulatory framework to better reflect catastrophic risk given the growing effects of climate change.

We are finally beginning to see measurable progress:

- More homeowners' insurers have made commitments to stay and grow in California, including in wildfire distressed areas.
- Additional commercial insurers have filed applications to expand.
- California's insurance market is showing early signs of stabilization after years of deterioration.
- The FAIR Plan is stabilizing, recently reporting that it added 2,230 residential policies during Quarter 3 of 2026, a steep decrease from 12,406 in the previous quarter – and the fourth consecutive quarterly decline in its growth.

The serious feedback that my Department has received to date is that eliminating or substantially restricting subrogation would materially alter the risk equation that insurers and reinsurers relied upon in assessing their future participation in California. The concern is straightforward: if losses that were previously recoverable from responsible parties remain permanently with insurers, those costs are likely to appear in underwriting decisions, reinsurance costs, and premiums.

That would mean:

- Higher premiums.
- Reduced insurer participation, meaning fewer options for consumers.
- Greater growth pressure back on the FAIR Plan.
- Slower progress towards restoring a healthy and competitive market.

My concern is not simply the impact on insurers. My concern is the impact on California's insurance recovery. We are finally seeing the first meaningful signs that our insurance recovery strategy is working. I remain concerned that changing a foundational component of wildfire liability in the middle of that recovery could introduce uncertainty at precisely the moment we are just beginning to regain stability in our insurance market.

Another consideration is that we should be careful about assuming every future wildfire liability event will look like the PG&E bankruptcy. Our state's Wildfire Fund did not exist in 2019. Today, we have different tools, different safeguards, and a stronger mitigation-focused environment than we had during the PG&E crisis.

That does not mean there are no challenges ahead. It simply means we should be careful about redesigning a major part of the liability framework based solely on one historical event that occurred before many of today's safeguards existed. Therefore, I believe that we should be careful about making permanent structural changes based on conditions that may be very different going forward.

Looking ahead for California

Again, my position on wildfire liability generally, and elimination of insurer subrogation specifically, in this letter has been consistent from the beginning. I also do not entirely prejudge any final proposal and do not negotiate through the press. I am also not defending insurance companies. I am defending California policyholders.

Every reform that we have undertaken together has been guided by the same question: *What does the consumer receive in return?*

When we implemented the myriad of components contained in the Sustainable Insurance Strategy, consumers gained greater availability, greater reliability, and stronger incentives for mitigation. Based on the public policy concepts discussed thus far on elimination of insurer subrogation, my Department has identified significant risks to consumers, market stability, insurer participation, and the progress we are making under the Sustainable Insurance Strategy. These are tremendous issues that I believe deserve careful consideration as discussions in this space continue.

I understand the objectives you are trying to achieve, and I share many of them. If there is one thing I hope you take away from my letter, it is that I want this effort to succeed. I simply want to ensure that, as discussions continue, we preserve the progress we have worked so hard to achieve together and avoid unintended consequences for California consumers.

I do not take the great responsibility of my office lightly, for it is also a responsibility as your partner in this work to ultimately ensure California consumers will be better off today than they were yesterday.

As I enter the final months of my tenure, I am proud of how far California has come. We are no longer simply reacting to crises. We are building a more modern and resilient framework capable of addressing the realities of climate risk while protecting consumers and strengthening our communities. Although the work is far from finished, I believe the work and chaptered legislation that we have partnered on together are important steps forward for wildfire survivors, for California consumers, and for the long-term stability of our state.

In sincere gratitude and appreciation,

RICARDO LARA
Insurance Commissioner
State of California

cc: The Honorable Robert Rivas, Speaker, California State Assembly
The Honorable Monique Limón, President pro Tempore, California State Senate