



## **I. Thank you section**

Thank you very much!

Thank you to Treasurer Bill Lockyer for being the MC of today's event. Thank you for your leadership as President Pro Tempore of the State Senate, as Attorney General, and as Treasurer.

Thank you to California Superior Court Judge Emily Vasquez for swearing me in. Thank you for dispensing justice and protecting rights and liberties.

Thank you to the four million, thirty-eight thousand, one hundred and sixty-five Californians who decided they wanted a consumer oriented Insurance Commissioner and returned me to office.

I am humbled by your support.

Thank you to the hard working men and women of the California Department of Insurance, my appointees to various boards and committees, and those who have supported our work at the Department, without whom our accomplishments of the last four years would not have been possible.

Thank you to all of my supporters, campaign team and volunteers, without whom my re-election would not have been possible.

And most of all thank you to my family – my wife Kim Flores, my daughter Isabelle, and my son William. I am very fortunate to have such a loving family who supports my passion for public service. I also want to introduce my father and mother in law, Louis and Joyce Flores. Louis has devoted his life to advocating for the most vulnerable among us, the farmworkers.



My family has often wondered why I've been on the road so much, but then they saw the "No on Proposition 45" TV commercials, and now it's clear...I've been traveling up and down the state looking over doctor's shoulders as they treat patients!

All kidding aside, while I was disappointed by the results on Proposition 45, it's been a great four years.

So good, in fact, that I am not going to spend any time this afternoon running through all that we've achieved together. The highlights are in your program and on our website!

This afternoon, I would like to talk about the future.

I have two roles – one as the state's chief insurance regulator, and another as a statewide elected official. I would like to speak this afternoon about my priorities in each role.

First, I want to talk about three priorities we should focus on as a state.

## **II. Three Critical Challenges for California**

There are three critical issues we must address as a state- first, improving education for our young people, second, addressing income inequality and an economy that works well for some but not for all, and third, continuing to address climate change.

I raise them with you now because it is going to take the concerted support and action of all of us to address these issues.

### **1) Investing in Public Education and Early Childhood Education**

The availability of a quality public education is essential for young people and our economy to succeed.



While there are many important ways we can continue to improve and provide additional resources for public education, there is one thing we must do to make sure every child has a chance to succeed.

There is an education investment that generates a 29% increase in high school graduation rates. And kids who do not get this investment are 70% more likely to be arrested for a violent crime. It sounds like a great investment, right?

What is that education investment? It is high quality, universal, early education or pre-school.

We know that every dollar invested in high-quality early learning programs can save \$7 later on -- fewer students are held back or get involved in crime, more graduate from high school and college, and they earn higher salaries in their careers.

My mentor and former boss, Attorney General Janet Reno, first introduced me to all the studies demonstrating the value of universal pre-school. And as a parent I saw first-hand the benefit of quality pre-school for my own kids.

As an Assemblymember I authored legislation to consolidate and make more efficient California's pre-school system, and since then others have built on and expanded pre-school, including former Pro Tem Darrell Steinberg and now, Assemblymember Kevin McCarty.

Now is the time to invest the additional resources needed to make quality pre-school available to every child in California.

## 2) Income inequality

The second major task ahead of us is making sure our economy works for all



Californians. Sadly, the gains in economic productivity over the last decades have not benefitted all Californians. There are enormous and growing disparities in income and wealth, as the top 1 per cent have seen their incomes rise while everyone else has seen little or no real gains in income.

A national policy response is needed to fully address income inequality, but there are things we can and should do here in California. We cannot wait until the federal government acts.

One important thing we can do is to make work pay enough to afford a minimally decent quality of life.

Too many Californians work hard, many at more than one job, yet they still struggle to make ends meet.

That's why we should increase the minimum wage. A minimum wage of \$15 an hour would lift so many California families out of poverty. And these families spend their earnings here in California, which helps California businesses, fuels the economy and creates more jobs.

Increasing the minimum wage leads to a "virtuous cycle" that was first recognized by one of our nation's leading businesspersons -- Henry Ford -- when he decided to pay his workers a decent wage, so they could then afford to buy his cars!

And we should enact a state earned income tax credit. The federal earned income tax credit has enjoyed bipartisan support and was called the most successful anti-poverty program ever by none other than President Ronald Reagan. We should enact a similar state earned income tax credit to help make work pay and to help address income inequality in California.



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There is also a role for insurers to play in making sure our economy serves all Californians. We will continue to ask insurers to invest in California and to take steps to buy more goods and services from California's minority, women and disabled veteran owned businesses, and to diversify their corporate boards.

3) Climate change

A third major state priority is continuing and expanding our state's efforts to address climate change. This morning the Governor spoke eloquently about the existential challenge posed by climate change.

Here in California, we are particularly concerned that climate change will increase the frequency and severity of catastrophic weather events. We should all be worried about more droughts, floods, sea-level rise, and more of the wildfires which have devastated California over the years.

The Governor set forth an aggressive program of additional actions we should take to address climate change. I support the Governor's proposals and hope you will too.

There is a role for the insurance industry in the effort to combat climate change.

During my first term as Insurance Commissioner, I led a national effort to measure the insurance industry's preparedness for the impacts of climate change. We surveyed the U.S. insurance industry, publicly disclosed the results, and are working to identify trends, vulnerabilities and best practices.

Insurance pricing and availability sends important signals to markets and consumers about the risk associated with climate change. I will continue our efforts to make sure insurance is a component of the overall response to climate change.



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So these are three priorities I see for California in my role as a statewide elected official – improving public education and specifically, universal high quality pre-school education, addressing income inequality by making work pay, and addressing climate change.

**III. Priorities As Insurance Regulator**

Now I would like to turn to my priorities in my role as the state's insurance regulator.

Four years ago I promised an administration of action. And we have delivered.

Our mission in the first term was and will continue to be: "Insurance protection for all Californians."

That means continuing our work to protect consumers and businesses while making sure we have healthy, vibrant insurance markets offering products to meet the needs of Californians and California's businesses.

Here are four specific priorities for my second term:

**1) Earthquake Protection**

First, earthquakes! If you ask me what keeps me awake at night as Insurance Commissioner, it's the strong likelihood of a large earthquake.

Earthquakes last year in La Habra and Napa should have been a wake-up call to all of us. I honestly can't believe my first term concluded without an even more catastrophic earthquake.

I'm most worried about the impact of a major earthquake on homeowners and renters in California, only 12% of whom have earthquake insurance.



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By some estimates there are 1 million or more homes – pre-1940s homes with so called "cripple walls," and homes on hillsides, and those with living space over garages – that are at serious risk in even a minor quake, let alone a major one.

The good news is we can retrofit these homes to make it much more likely they won't topple off their foundations, or slide down hills, or collapse.

And if homeowners do retrofit, they can qualify for steep discounts on earthquake insurance, which might help us get more Californians insured.

It costs \$3-10,000 per house to retrofit it against earthquake damage.

There are important efforts underway to explore retrofitting homes in Los Angeles, San Francisco, at the California Earthquake Authority, and elsewhere.

We should build on these efforts to create a statewide earthquake retrofit program for homes. We will need the support of the Legislature and the Governor. I can't do it alone. I look forward to working with them to protect Californians from the impact of a major earthquake.

## 2) Consumer Protection

Another priority for my second term will be continuing our work to protect consumers.

Whether it is issuing new regulations to protect consumers or intervening on behalf of consumers where insurance companies have not kept their promises or followed the law, consumer protection will continue to be a major focus in my second term.

## 3) Healthy and vibrant insurance markets

A third focus in my second term will be making sure we have healthy and vibrant



insurance markets, where there are insurance products to meet the needs of all Californians.

In my first term, we took important steps to improve and make more efficient our regulatory review of insurance company corporate transactions and applications for new licenses.

Let me share with you just one story in this regard.

With the collapse of the real estate market in 2007, the private mortgage insurance market also collapsed. Many mortgage insurers went out of business and the private market literally dried up.

Flash forward to 2012. A private mortgage insurance company was founded in the East Bay. This California based company wanted to provide mortgage insurance across the nation as the real estate market revived. To do so, it needed licenses to be issued by 50 state insurance commissioners and three federal banking regulators.

The problem for this insurance company was that the collapse of the mortgage insurers scared other regulators, and no regulator wanted to be the first to issue a license.

I instructed the Department's staff to thoroughly review the company's application for a license. We concluded that the company was well led, had the requisite experience, capital, and financial controls to be successful.

I decided to cut the Gordian Knot of licensing red tape that was stopping this company. I was the first Commissioner to issue a new license.

Because the California Department of Insurance is well known and well regarded nationally, my decision to issue the company a license led to all 50 states and the three





federal regulators issuing licenses to this company.

And so now this company is selling mortgage insurance, has created new jobs in California, has its offices in the East Bay and is a part of California's economic recovery.

That's just one example of how we have worked to improve our operations and regulatory activity to enable insurance companies and insurance markets to conduct business and meet consumer demand.

We have also taken the lead in sponsoring and implementing new laws, like the Model Holding Company Act and Credit for Reinsurance Act, which have helped to improve insurance regulation and markets.

And we have taken a leadership role internationally in resisting overly burdensome regulations proposed by European insurance regulators that will needlessly raise costs for US companies and consumers.

I will continue in my second term to focus on ways to improve the Department's operations and make sure we have healthy vibrant insurance markets meeting Californians' insurance needs.

#### 4) Continued Work on Healthcare Reform

My final priority is to continue implementing health care reform in California. I hope eventually we can convince Californians to support a single payer or Medicare For All system. But in the meantime, I will continue to work to implement successfully the Affordable Care Act.

For those of you who were here four years ago, you will recall that my first act as the newly sworn in Insurance Commissioner was to issue a regulation implementing an



important part of the Affordable Care Act.

I promised then that my first term would be one of action. That regulation was the first of many we issued and the first of many actions we took to help implement healthcare reform in California.

We have worked closely with the Legislature, the Governor, Covered California and others to make health care reform a success here. As a result, 2 million more poor Californians have signed up for Medi-Cal and another 1.1 million or so signed up for private family or individual health insurance through Covered California.

Since I was sworn in four years ago, the Department of Insurance has played an active and important role in establishing and implementing new health insurance protections under the Affordable Care Act.

I also promised four years ago, and I promise again, to be an independent regulator. That means not remaining silent when I think we can do things better or where I see laws not being followed. I will continue to be an independent regulator, even where it means disagreeing with other leaders.

One area where I hope we can make a difference with regard to healthcare reform is by making healthcare prices available to consumers before they get care.

Consumers today have almost no access to information about the price and quality of healthcare services before they receive care. Purchasing healthcare is like shopping in a department store with a bag over your head -- you have no idea what the medical costs are before you get the bill.

Increased access to medical pricing and quality information is vital to help consumers make more informed decisions about their care, because the best quality care is not



necessarily the most expensive care.

Transparency in medical pricing should improve competition and result in lower medical costs.

That's why I have launched a health care pricing and quality transparency project with the University of California, San Francisco. Our goal is to provide meaningful real time information to consumers about healthcare prices and quality. The project is funded by a grant we obtained from the U.S. Department of Health and Human Services.

We will collect and analyze data to develop price and quality information for a number of common medical procedures and episodes of care. The price and quality information will be made available online. This is a start. There will be a lot of challenges, not the least of which is many holders of the price and quality data don't want to share it with the public. But we have to begin somewhere. It simply should not be the case that you cannot find out what it is going to cost you to get medical care.

Another area where we need to make improvement with healthcare reform is in the area of reimbursement rates for medical providers providing care in the Medi-Cal program.

Signing up another 2 million Californians for Medi-Cal is a great step forward, but it's not going to work if doctors and other medical providers won't take Medi-Cal patients because reimbursement rates are too low. The Governor and the Legislature should increase reimbursement rates for Medi-Cal.

Yet another major problem in healthcare reform involves access to doctors, hospitals and other medical providers for patients who have private health insurance.

Consumers have complained that the health insurers' medical provider directories are inaccurate. Many consumers relied on listings of doctors, signed up for the health



insurance, only to discover the doctor or hospital listed was not in the health insurers' network after all.

Consumers have also complained that its taking too long to get an appointment or that the medical provider is too far away.

Much has been written about the ways in which health insurers have reduced or "narrowed" their networks of medical providers.

And then there are the cases where, unbeknownst to the patient, an out of network doctor joins the surgery or other treatment, and the patient gets socked with a large bill because the medical provider was not in the health insurer's network.

Four years ago I promised that my administration would be one of taking action to protect consumers, in healthcare and all areas.

I make that promise again today. And to underscore that promise, I am issuing today an emergency regulation to address the issues around the medical provider networks of health insurers.

The emergency medical provider network adequacy regulation establishes new standards and requirements for health insurers to make sure there are enough physicians, surgeons, clinics and hospitals in their provider networks.

To make sure that the directories or lists of medical providers are accurate and kept up to date. To make sure that when the health insurer does not have adequate medical providers in its network and an out of network medical provider is used, that the patient share of cost is the in-network share of cost.

This emergency regulation sets new and tougher requirements for health insurers to



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meet regarding access to doctors, hospitals, clinics and other medical providers.

[Signs emergency regulation.]

I am so grateful to be in this position where I can take actions like this to help Californians. This is just the start.

Thank you for joining me here today. Thank you for your support.

We have a lot of work to do together to improve California and to make it possible for all Californians to realize the American Dream.

Let's get back to work!