

Law360 Q&A With Lucy Wang: Discussing California’s Insurance Regulatory Overhaul

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Hinshaw senior counsel Lucy Wang was recently interviewed by *Law360 Insurance Authority* about her experience serving as the former Special Counsel to the California Insurance Commissioner during one of the most significant overhauls of California’s insurance regulatory system in decades.

In the following Q&A—adapted and condensed from the original *Law360* interview—Lucy shares her insights into the regulatory challenges the Department of Insurance navigated, the road ahead for California policyholders, and what the next insurance commissioner should know before taking office.

What Makes California’s Insurance Landscape so Distinct from Other States?

California is unique because of Proposition 103. It made the insurance commissioner an elected position—which is very rare among commissioners nationwide—and gave the commissioner significant authority to review rate applications. Most states operate under a file-and-use system, where insurers submit a rate change, and it goes into effect, with limited review afterward. In California, rate applications are not approved until they are thoroughly vetted.

That dynamic creates tension between business concerns and regulatory constraints, but there is a middle ground. My role has often been to help both sides hear each other so that the ultimate goal—providing policies to policyholders while maintaining consumer protection—can be achieved.

How Were the CDI’s Reforms Designed to Improve Carrier Participation Without Abandoning the Rate Approval Framework Under Proposition 103?

The lead-in to regulatory reform were some of the most intense years the department has ever faced. By around 2023, major carriers were pausing activity in the California market because they felt the rate application process was too slow, and the historical lookback model didn’t reflect what it actually cost them to write policies here.

Commissioner Lara made a point that wasn't popular but was accurate: we were no longer debating affordability—we were facing a crisis of availability. If insurers will not write policies, the question of whether consumers can afford them becomes moot.

When the California Legislature was unable to pass reform legislation, the pressure fell on the department. We looked inward first and acknowledged that our review timelines were part of the problem. We also addressed the need for better risk assessment tools, including catastrophe models and the incorporation of reinsurance costs—both of which were potentially controversial.

What I always told my team was: let's not treat these as obstacles that stop us, but as challenges we work through. In roughly one month, the executive management team built a roadmap, and when the commissioner announced the Sustainable Insurance Strategy in September 2023, the department already had a plan in place.

Another critical piece was genuine stakeholder engagement. We could not just issue rules and expect insurers to adopt them. I moderated workshops with over a thousand participants, and we held private sessions with consumer groups and insurance companies alike to understand their needs.

How do you Respond to Criticism from Consumer Groups that the Catastrophe Model Review Process Lacked Transparency?

The department understood those concerns and agreed that a public model would be the best long-term solution. But building one takes time—Florida's took seven years, and California didn't have that luxury. While the public model was being developed, we created a procedure that allowed consumer groups and universities to participate in the review process and observe how models were constructed.

It's important to understand that the department was never in the model-approval business in the sense of building or endorsing proprietary tools. These modeling companies are sophisticated, multi-million-dollar operations. Our job was to ensure that models were built with scientific integrity and met rigorous standards. And a catastrophe model is only one element of a rate application—the department still has to approve the overall rate. The notion that catastrophe models were a ticket to outrageous rate increases simply didn't hold up.

How Significant is the Issue of Smoke Damage Claims in the Wake of the LA Fires, and Where do you see it Heading?

Smoke damage is one of the most compelling issues right now, in part because it sits at the intersection of insurance regulation and public health. It's not just a question of whether homeowners can return to their properties—it is a question of long-term health impact.

The commissioner issued a bulletin making clear that smoke claims must be properly investigated and cannot be categorically denied. But whether smoke damage is ultimately a coverage matter or a broader public health issue

is something the courts and the legislature will need to address more fully. From a regulatory perspective, we are closely watching how both institutions will weigh in.

What is Your Advice for the Next Insurance Commissioner?

First, I recommend that the next Commissioner remain open to insights from all sides—insurers, consumer groups, and everyday Californians. Commissioner Lara took considerable heat for being perceived as too receptive to industry concerns, but effective regulation requires understanding the full landscape. If you regulate in a vacuum, listening only to consumers and not to the companies you oversee, you cannot craft regulations that bring everyone to the table.

Second, take the role seriously for what it is. The position of insurance commissioner is not a stepping stone to another office—it is an enormously consequential job in its own right. Commissioner Lara may not have predicted how difficult it would become, but he genuinely met the moment.

- *Law360 Insurance Authority*: “[Former Counsel To Calif. Insurance Chief Talks Reform Push](#)” (April 2, 2026)

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