

Insurance Industry Its Own Worst Enemy

Insurance-industry consultant Benjamin Zycher's attack on Proposition 103, the landmark insurance-reform initiative approved by Californians last November ("Insurance Fraud, California Style," Oct. 9) is much like the industry's unsuccessful \$80 million campaign against the measure: distorted and often dishonest.

Prop 103 eliminates many barriers to competition in the industry, including the insurers' unjustified exemption from the antitrust laws. Insurers are permitted to share some historical-claims data in order to enhance the competitiveness of small companies. Mr. Zycher says the industry doesn't need the exemption; if that's so, why do its lobbyists so bitterly oppose state and federal efforts to eliminate it?

Mr. Zycher also criticizes 103's requirement that auto-insurance rates be based primarily on a motorist's safety record and driving habits rather than upon zip code. Proposition 103 does not prohibit any use of territorial rating, but requires insurers to justify it scientifically. So far, they've been unable to do so.

The most controversial provision of 103 requires a 20% rollback in all auto, home and business liability premiums to offset excessive rates—the product of years of lax regulation and insulation from competition.

Mr. Zycher quotes me as saying something I never said—that the 20% figure was arbitrary and hence the rollback unjustified. In fact, simply using the insurers own self-serving profitability standards, the California Insurance Commissioner—an opponent of 103—has already called for more than \$800 million in rollbacks. Hearings to begin this month will allow us to introduce evidence of the industry's inflated reserves, excess surplus, gross waste and inefficiency that will justify more than a 20% rollback.

Insurance-reform efforts are under way in 35 states. Like Mr. Zycher, the industry's response is to make war against the reformers. But until the industry acknowledges the reality that reform is necessary, it will remain its own worst enemy.

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