



HARVEY ROSENFELD

An opposing view

Insurance rate revolt will roll back prices

LOS ANGELES — The auto insurance industry's decade of greed and tyranny must end. They are cloaking outrageous profits beneath a veil of half-truths and phony statistics.

Irate consumers in 40 states have joined the cause of insurance reform, following California voters who passed the landmark reform initiative, Proposition 103, in 1988.

Auto insurance rollbacks have been enacted in Nevada and South Carolina. In New Jersey, the Citizen Auto Revolt was a decisive factor in last year's gubernatorial contest.

Proposition 103 calls for:

- ▶ A 20% rollback in auto, homeowner and other liability insurance premiums;
- ▶ A requirement that auto insurance premiums be based primarily upon a motorists' driving record, rather than his zip code;
- ▶ A requirement that insurers open their books to justify rate increases;
- ▶ A repeal of the insurance industry's unique and undeserved exemption from the anti-monopoly laws to force competition;
- ▶ Democratic election of a state insurance commissioner.



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Harvey Rosenfeld is chairman of Voter Revolt, a citizen group that forced changes in California's insurance laws.

Reform of this arrogant industry is badly needed. According to the Voter Revolt study, three of the largest auto insurance companies — State Farm, Allstate and Farmers — inflated their estimates of future losses in 1988 by \$2.6 billion, or enough to justify a national rate rollback of 18%.

It is this kind of unchallenged bookkeeping that enables the industry to claim it is losing money while, in fact, it rakes in huge profits. Another example: Liability insurers say their profits dropped 20% in 1989. But Wall Street knows the truth about the industry's profitability: During the same period, insurance company stocks rose 37%.

Nationwide, insurance companies spent \$80 million of our premiums attempting to block Proposition 103 at the ballot box. Now, they are paying lawyers \$1 million a day to delay implementation of 103 reforms.

The industry is also working to co-opt citizen groups in various states, promising lower rates in exchange for consumer support for no-fault and other proposals which lessen the protection of auto insurance policies.

An elected insurance commissioner could prohibit the companies from passing their propaganda costs on to consumers.

All the insurance companies deserve is a choice: Cut your rates or be replaced by a publicly controlled auto insurance company that sells policies on a non-profit basis.

Since motorists are required by law to buy insurance, why shouldn't consumers join together to make it available to every driver at cost? If, as the private insurers say, they always lost money on auto insurance, then they shouldn't mind if the voters relieve them of the burden of selling it.