

# More could be done to police industry

**I**N the eight years since California voters approved Proposition 103, six million Californians have received more than \$1 billion in refunds mandated by the initiative. But the greatest savings to California motorists have come through 103's prohibition on unjustified rates.

Under Proposition 103, no insurance company may charge excessive premiums for auto, homeowner or business insurance. Insurers must open their books and justify their rates. And consumer groups may challenge unnecessarily high premiums. The Insurance Commissioner — an elected position under 103 — is responsible for administering the law to protect policy holders.

Insurance Commissioner John Garamendi used this authority to block rate increases for most of his tenure. Confronted with an end to the "pass-through" system that had led to double-digit insurance rate increases in the mid-1980s, insurance companies were forced to tighten their belts, fight fraud and eliminate the waste and inefficiency that ate up more than a third of every premium dollar we paid for auto coverage. As a result, California, which used to have the seventh-fastest growing average premium in the nation, has dropped to 47th. Californians would have paid an additional \$12 billion just for auto insurance coverage if not for Proposition 103.

But rates still remain too high. Insurance companies' profits are excessive, and auto insurance premiums should be lowered by an additional 7 percent. Under Proposition 103, that is the insurance commissioner's job.

Unfortunately, Insurance Commissioner Quackenbush is not a supporter of Proposition 103. The commissioner has abruptly rejected the Consumers Union call for rate reductions. The state's motorists are spending an extra \$800 million

a year as a result of industry gouging. Quackenbush has an obligation to order regulatory hearings that will lead to premium reductions.

Homeowner's insurance poses an even greater problem for consumers at the moment and, here too, Commissioner Quackenbush ought to exercise his regulatory power to protect consumers from industry price-gouging.

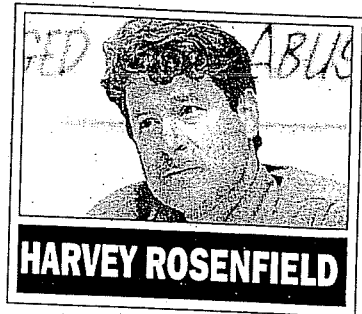
Insurance companies have used the 1994 Northridge quake as an excuse to raise earthquake insurance premiums by as much as 100 percent and limit their responsibility to protect homeowners against future seismic events.

Last year, the industry successfully lobbied a bill that increased the earthquake insurance deductible to 15 percent of the value of the home, while dramatically decreasing coverage for structural damage, household items and the cost of temporary housing while the insurer repairs or rebuilds your home. This so-called "mini-policy" is an expensive rip-off.

Even that coverage is threatened by the big insurance companies, which won't be satisfied until they have absolutely zero responsibility to cover quake risks. State Farm, Allstate and Farmers are lobbying Sacramento to create a state agency, the "California Earthquake Authority" (CEA), to sell earthquake coverage.

To pressure legislators to pass the bill, insurance companies are manipulating the marketplace by refusing to sell new homeowners policies, then exploiting the shortage they have created to raise rates.

Consumer advocates, using Proposition 103's authority, have forced insurance companies to disclose the computer models upon which they have based their rate-increase requests. Their projections are wildly unrealistic, suggesting that insurers are manufacturing a crisis for their own eco-



omic benefit. Yet instead of investigating insurers for violating the anti-monopoly laws and using his inherent authority to block policy cancellations and non-renewals, Commissioner Quackenbush has promoted the CEA.

Moreover, by blocking policy holders from obtaining homeowners coverage through the California Fair Plan, a pooling arrangement in which California insurers must participate, the commissioner has enabled insurers to tighten the economic noose still further. Commissioner Quackenbush may be right that ultimately only a state or federal agency can afford to protect the public against the losses caused by a massive earthquake. But he has not done enough to protect consumers and taxpayers against unjustified rate increases and the potential for huge assessments should the CEA run out of money.

As chair of the Senate Judiciary Committee, Sen. Charles Calderon, D-Whittier, is a powerful player in insurance issues. Recently, Sen. Calderon grilled lobbyists trying to override 103's good-driver discount and anti-redlining provisions.

Sen. Calderon's defense of the voters against an attack on the initiative helped slow the bill down. Calderon will also shape the fate of the earthquake legislation. His committee will soon consider legislation that would allow insurance companies to engage in price-fixing — a violation of anti-monopoly laws.

Sen. Calderon's constituents should urge him to strongly support 103's consumer protections.

*Harvey Rosenfield is the author of Proposition 103 and heads the Proposition 103 Enforcement Project.*