

The insurance showdown

By Harvey Rosenfield

INSURANCE Commissioner John Garamendi's allegation Monday that the insurance industry attempted to blackmail him could change California politics. Finally, an official of statewide stature has blown the whistle on the corporate pollution of democracy.

Money buys votes and vetoes every day in the cesspool of Sacramento politics, but the corruption is cloaked in an elaborate charade of gifts, banquets and junkets. It's even harder to detect when it involves state agencies.

After two terms as a pro-consumer commissioner, Garamendi is in a tight race for the Democratic nomination for lieutenant governor. By purportedly threatening to finance a multimillion-dollar attack-ad campaign against him unless he derailed an important consumer-protection regulation, the state's largest insurance companies gambled that Garamendi would acquiesce.

Garamendi's rejection of such a dirty deal is expected to save good drivers tens of millions of dollars on their auto insurance. Proposition 103, the 1988 insurance reform initiative, among other things requires insurance companies to base premiums on motorists' driving records rather than on where they live. In December, after studying the issue for three years, Garamendi announced a regulation ordering insurers to finally obey the voters' mandate by the end of this year. The insurers responded by recruiting several Assembly members, with \$300,000 of industry contributions in their pockets, to sponsor a bill to delay the regulation with another duplicative, pointless study.

The true purpose of the legislation, AB 2840, is to postpone the reforms until next year, when a new commissioner takes office. The major Democratic candidate for the post, Lt. Gov. Cruz Bustamante, is raking in insurance industry money for his campaign. The Republican candidate, Steve Poizner, is independently wealthy and has sworn off insurer dollars, but he is considered an opponent of regulation. The insurers were confident that either of the candidates would reverse Garamendi's order if elected.

Garamendi's whistle-blowing almost guarantees that the new rule will take effect. A lawmaker thinking about voting to delay the reforms would have to choose between lining his pockets with industry money and losing his job once voters learn of the betrayal. Bustamante and Poizner are going to have to promise that they will not meddle with the rule, or risk being seen as shills. If Bustamante doesn't also give back the \$120,000 he has taken from the insurance industry, he's finished.

The insurers' brazen effort ought to outrage every Californian. The voters passed Proposition 103 nearly 18 years ago because the insurers' lapdogs in the Legislature refused to pass money-saving reforms. Unable to stop its passage, the industry repeatedly sued to block reforms.

At the same time, the insurers nearly stole the office of commissioner — an elected post. The industry funded the campaign of Commissioner Chuck Quackenbush, who secured a court order allowing insurance companies to continue to base rates on a motorist's ZIP Code. The judge who wrote that decision resigned two days later and went to work for a firm whose principal clients are insurance companies.

Quackenbush was forced to resign after a Los Angeles Times investigation revealed that he had waived billions of dollars in penalties against insurers in exchange for donations. But the state Legislature remains deep in the industry's pocket, repeatedly passing bills to undermine Proposition 103's reforms. Consumer advocates have successfully knocked down the laws in court.

Proposition 103 has made insurers refund \$1.2 billion and has saved consumers more than \$23 billion, according to a 2001 study by the Consumer Federation of America. However, the insurers' ceaseless efforts to enlist all three branches of government in their evasion of the law have caused years of delay and cost taxpayers tens of millions of dollars.

By exposing the disease at the heart of our political system, Garamendi's announcement is likely to generate support for the cure: a voter initiative headed for the November ballot that would slash the influence of special interest money. It would cap corporate campaign contributions, including to initiative campaigns, and set up publicly funded elections.

If that passes, the insurers' arrogant domination of California politics will be over.

HARVEY ROSENFIELD is the author of *Proposition 103* and founder of the *Foundation for Taxpayer and Consumer Rights*, based in Santa Monica.