



'Pee Wee' Rosenfield's latest adventure: In Los Angeles, the leader of the consumer fight

SCOTT ROBINSON

# Honk If You're for Prop. 103

## California's car insurers take to the courts

People have trouble classifying Harvey Rosenfield. An enthusiastic radio talk-show host called him "the Mother Teresa of auto-insurance reform," but California's insurance industry has other names for the Santa Monica lawyer. "Pee Wee Harvey," a reference to Rosenfield's height of 5 feet 6 inches, is a printable example. Love him or hate him, no one can deny Rosenfield has turned the auto-insurance business upside down. Last fall his Voter Revolt movement persuaded the electorate to approve Proposition 103. Among its provisions: a hefty rollback in rates. But voters didn't get the last word. The insurance industry sued to overturn the new law, insisting that portions of Prop. 103—including the rate rollback—are unconstitutional. After hearing arguments earlier this month, the state Supreme Court has 90 days to rule on the case. While they wait, the two sides are growing no less contentious: the Consumers Union charged last week that insurance companies, fearing a potential loss of \$4 billion from premium reductions, were hiking their rates.

Like Proposition 13, the landmark referendum that overturned high property taxes in 1978, Proposition 103 is a textbook example of California's habit of using plebiscites to make policy. (Last fall there were 29 propositions on the California ballot, five of them

about auto insurance.) Howard Jarvis's Proposition 13 was hailed nationwide as a victory for conservatives. By contrast, Rosenfield is ideologically neutral, neither liberal nor conservative. Endorsed by Ralph Nader, Rosenfield's movement is consumerism triumphant—all he wants is to provide rate relief to California's 13 million insured drivers, who pay the third highest premiums in the nation.

Narrowly approved by 51 percent of the voters, Proposition 103 calls for an immedi-

ate 20 percent rollback in insurance rates. Under existing regulations, it costs \$600 to insure a midsize sedan in a small town; in Beverly Hills, premiums for the same car run to \$2,400. Rosenfield wants rates to be based mostly on a driver's record—not his ZIP code. Other provisions: a watchdog agency, an elected state insurance commissioner and an end to the insurance industry's antitrust exemption. The proposition does give insurance companies the right to request a rate increase, but they must show need by opening their books to the public.

**Tough questions:** In the Supreme Court hearings, attorneys hammered at what is probably the central question of the issue: are California's auto-insurance rates too high? Consumer lawyers argue that insurance companies are profiteering, but industry spokesmen claim that rates reflect the high cost of litigation under the state's form of liability insurance. During the hearings, several of the seven justices appeared to draw political lines. Two liberal judges battered insurance-industry lawyers with tough questions, while conservative Justice Marcus Kaufman challenged a Proposition 103 supporter with, "Do you mean to tell me that 51 percent of the voters, if they say a thing is true, [the issue] is beyond judicial inquiry?" Whatever the outcome, no one doubts the case's significance; similar initiatives are in the works in 17 states. In Sacramento, the courtroom was jammed with reporters from around the country, who may remember Proposition 13 and anticipate that once again, as California goes, so goes the nation.

HARRY HURT III in Los Angeles

## A Change of Command for the Chicago Mob

In the public's mind, Mafia chieftains get rubbed out in a spray of machine-gun fire. Next, the funeral: gaudy wreaths and stretch limos, the godfathers in dark suits and dark glasses. Then rival factions wash the city's mean streets in blood. But last week Joseph Ferriola, 61, head of the Chicago mob, was quietly buried in a suburban cemetery; he died after a second attempt at a heart transplant failed. Stepping out of the 45 cars—many of them rented—were mostly women and children, emissaries from the real players. And mob watchers were not worried about war. "It is the strongest mob

in the world because it is so tightly structured," says Bill Roemer, a retired FBI agent. "It is monolithic."

But while the change of command at the Chicago Outfit was as quiet as a power shift in the Politburo, tensions behind the scenes are growing. The issue: whether to expand the mob's role in the city's drug trade, now run by blacks and Hispanics. "The new guys want drugs," says investigator Jerry Gladden, "the old guys don't." Content to rely on gambling, loan sharking and prostitution, the Old Guard objected when Ferriola—perhaps trying to preserve Family unity—ven-

tured into drugs. Federal and local authorities say six candidates are in line to succeed Ferriola; front runners John (No Nose) DiFronzo, 60, and Sam (Wings) Carlisi, 67, are from the old school. Nor do investigators discount the shadow cast by traditionalist Anthony Accardo, 82, nominally retired in California. Accardo usually gets his way. If the drug trade is vetoed, mob watchers believe, the younger generation may bolt. But they may not be going anywhere: a grand jury is investigating Ferriola's lieutenants, and there could be as many as 20 indictments this spring.