

MAX RAMIREZ



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Big Daddy Speaks Out

Lobbyist Clay Jackson finally talks about last year's insurance initiatives

SACRAMENTO—Clay Jackson, one of the highest paid and most powerful of California's lawyer-lobbyists, has broken the lobbyists' code of silence about his relationship with a client. The Association of California Insurance Companies reportedly terminated Jackson's 16-year contract last October at the height of the battle over insurance initiatives on the November ballot. But Jackson now says he quit after years of festering differences with the association's leadership over political and public relations strategy.

"They were unwilling to provide the political resources necessary to maintain a political support base," says Jackson, claiming the association's leadership failed to heed his—and the public's—warnings about the industry's growing unpopularity. "The importance of that was proved in the election."

Jackson says insurers have relied too

heavily on campaign contributions to influence legislation. What was missing in the past, he thinks, was a public affairs campaign that would influence public opinion.

"When you simply lobby and make campaign contributions, that does not provide the necessary support for a major industry which is heavily regulated," Jackson says. "You have to have political expressions of support from your friends, colleagues and customers—and that is what I'd been trying to tell them for the last decade."

Although insurers have for years been able to block consumer-sponsored reforms in the Legislature, Jackson says they were not prepared for the ballot battle. The industry spent more than had ever been spent on any previous election in California, including presidential and gubernatorial elections. But expenditures of more than \$65 million could not win voter approval of the insurance companies' no-fault initiative, Proposition 104, and could not stop the grass-roots, consumer-backed Proposition 103.

"Five years before, you could sense that the industry was losing its public support,"

says Jackson. "They had no public affairs program, and it's hard to develop such a skill when you're under assault. Insurance is a complex field, not readily understood, and you have to have a strong public affairs program to explain it to people."

Stanley Zax of Zenith Insurance Co., a former corporate lawyer who was president of the insurance association last year, says he agreed with Jackson on the need for a stronger public affairs program, but adds, "ACIC was originally formed for lobbying, not for public affairs."

Jackson's parting with the association followed months of wrangling, during which polls indicated clearly that Proposition 104 would probably fail in November. Some sources close to the conflict say the industry needed a convenient, visible scapegoat, and found it in the high-profile, 6-foot-6-inch Jackson—who has been called the new "Big Daddy" of the California Legislature (a reference to the late Assembly Speaker Jesse Unruh) and has earned his share of enemies in the Capitol.

"I was fingered as the nay-sayer, as if the client had nothing to do with it," Jackson complains. "I was angered by allegations that the refusal to alter the statutory system in which the insurers operated was a function of my lobbying techniques."

"He was not fired," responds Zax. "He was not a scapegoat. The discussions that took place between the organization and Clay over a long period of time were the type that take place between an adviser and a client as they explore different alternatives and issues."

Zax says Jackson was asked to work for the organization in a "restructured" capacity in cooperation with other lobbyists, but Jackson refused.

Although bitter about his treatment by the association's leadership, Jackson has high praise for San Francisco political consultant Clinton Reilly, who was hired to manage the Proposition 104 campaign. "Reilly did an unbelievably magnificent job," says Jackson. "But he had to deal with five elections at once, and all these complex concepts and words little understood by anybody in the business. And he'd never done initiatives before."

He says Reilly's job was further complicated by industry infighting. "So he did what every good political person does—he did polling and he did focus groups. But it's not the same as selling a candidate."

The insurance wars now are focusing on selling candidates, who are gearing up for the 1990 campaign for insurance commissioner, a post made elective by Proposition

103. In an effort to limit the enormous influence of insurers on elections, various consumer and legislative coalitions have proposed limitations on campaign contributions by the industry itself.

Common Cause has thrown its support behind SB 205 (Gary Hart, D-Santa Barbara), which would ban insurance industry contributions to candidates for commissioner. Walter Zelman, the influential group's executive director, is urging legislators to "make absolutely certain that in the race for guardian of the hen house the fox does not have the overwhelming fundraising advantage."

For his part, Clay Jackson, erstwhile guardian of the hen house, is not begging for work. His Sacramento law firm, Jackson & Abrams, has merged with the venerable San Francisco firm of Sullivan, Roche & Johnson. Jackson says he has replaced the Association of California Insurance Companies with the American Insurance Association, a national organization of about 200 commercial insurers, and expects no diminution in his lobbying firm's income, which for several years has been in excess of \$1 million. (The lobbying firm, Jackson/Barish & Associates, is separate from Jackson's law practice.)

There is irony in Jackson's new surroundings. The Johnson in the firm's name is former Senator and Governor Hiram Johnson, whose iron eagle sculpture (given to all members of the Senate, along with a quill pen set, in Johnson's day) graces Jackson's new office. Johnson created the initiative system in 1911 to give power back to the little man.

"Here's a man who invented the technique, in essence, for breaking great corporate control over the political system," says Jackson of the founder of the firm in which he is now a partner. "And 50 years later the methodology has come full term and is used mostly by large interests"—interests such as the insurance companies that contributed so heavily to Proposition 104.

Still, Jackson says an elected commissioner is "a very bad idea" that will solve none of the problems facing state governance of the insurance industry.

"It's a highly technical job, a numbers business, a mathematical business," says Jackson, who would prefer to see a regulatory insurance commission, with members appointed for staggered terms.

"I'm not defending the existing system," he adds, "but if you put a politician in charge, God knows what will happen."

—SIGRID BATHEN

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