

Insurance reform is derailed in Legislature

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By SIGRID BATHEN
Recorder Capital Correspondent

SACRAMENTO — Insurance reform legislation designed to stop wide variations in insurance premiums appeared to be derailed Wednesday for the rest of the 1987 session — a victim of the insurance industry's enormous political clout in the California Legislature.

AB 2067 by Assemblyman Lloyd Connelly, D-Sacramento, failed to muster the necessary votes during an acrimonious and sometimes raucous Assembly Ways and Means Committee session on three reform bills.

The Connelly bill attempted to establish a "flex-rating" system that required state review of unusually large insurance rate increases or decreases.

The apparent defeat of Connelly's bill, which was strongly supported by consumer groups and the attorney general's office and hotly opposed by the insurance industry, paves the way for an initiative to regulate insurance rates on the November 1988 ballot.

Two other bills, AB 1190 by Assemblywoman Maxine Waters, D-Los Angeles, and SB 533 by Sen. Barry Keene, D-Benicia, were amended substantially and referred by Ways and Means Chairman John Vasconcellos, D-San Jose, to the Assembly Rules Committee and other Assembly policy committees for further review. With two weeks remaining in the session, that action leaves little time for review of the complicated and controversial measures. It is thus unlikely the bills will clear the Legislature this session.

The Waters' bill, which would end the insurance industry's exemption from state antitrust laws, was strongly opposed by the insurance industry. Keene's bill, as amended, would establish a rating review system that is less stringent than the Connelly proposal and, some critics say, as weak as current enforcement standards.

Keene did not approve the amendments, which were backed by the insurance industry and added to Waters' bill with her approval. That move was called "a brilliant tactical maneuver" to keep the bill alive by one legislative consultant close to the issue.

"There is always a glimmer [of hope]," Waters said.

In addition to establishing a limited "flex-rating" system of rate review, the complex and lengthy amendments by Assemblyman Charles M. Calderon, D-Alhambra, would create a "no-fault" auto insurance system that has repeatedly died in the state Legislature in the past.

Several legislators on the Ways and Means Committee objected to the timing of the amendments — the complexity of which means

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they must be analyzed and referred to policy committees for further study. Consumer activists backing the stronger Connelly and Waters bills say the amendments effectively derail insurance reform this session by bogging down legislators in complex details.

"These are insurance industry amendments designed to pretend that insurance reform is occurring," said Assemblyman Phillip Isenberg, D-Sacramento. "The notion that we should be handed 50 pages of amendments without analysis is just a straight, blatant power play."

Waters said the proposed amendments are "an attempt to intimidate the consumer groups" backing her and Connelly's legislation and "an attempt to mess things up."

Gene Erbin, consultant to the Assembly judiciary subcommittee on the administration of justice and a principal designer of the Connelly bill, said "insurance companies have again prevailed" in killing the bill, which in its original form also would have placed a consumer advocate in the state Insurance Department.

"They have protected those members of the Legislature who do their bidding," he said.

Erbin described the amendments to the Keene bill proposed by Calderon as "a Clay Jackson, no-fault auto insurance, bogus flex-rating bill." Jackson is a powerful Sacramento lobbyist who represents the insurance industry in the Capitol.

Industry representatives say they did not design the Calderon amendments. Jackson scoffed at consumer groups' criticism of his role in the legislative process and said the insurance

industry "has always been committed to a no-fault insurance bill, properly drafted."

Harvey Rosenfield, who heads the Santa Monica-based consumer coalition Access to Justice Foundation, said the defeat of insurance reform is the result of "the massive financial resources" of the insurance industry.

"I think the insurance industry controls the Legislature," Rosenfield said. "I know it's not fashionable to say that, but it's true."

Rosenfield said fund raising may be a major stumbling block to an insurance reform initiative on the 1988 ballot. Such an initiative is now being drafted by a coalition of consumer groups and is expected to contain provisions included in the defeated Connelly bill, as well as other consumer-oriented provisions.