

**PRESS CONFERENCE ANNOUNCING  
ADOPTION OF REGULATIONS  
IMPLEMENTING PROPOSITION 103 ROLLBACKS**

Today we reach a milestone in the implementation of Proposition 103. I am today adopting the toughest regulations the insurance industry has ever faced. These regulations will give California consumers every dollar of refund they are entitled to under Proposition 103.

With these regulations, I will now calculate each company's rollback obligation and issue orders directing them to put the checks in the mail.

When I took office in January, I pledged to vindicate insurance-consumers' neglected rollback rights. The regulations I am adopting today are the key to making good on that pledge.

The formula and numbers I have adopted will be binding on every insurance company. No longer will companies be allowed to revisit every issue, to repeat every claim, to reargue every decision.

In the coming weeks, I will issue the first set of company-specific rollback orders, telling each insurer how much it must refund to its policyholders.

To get here, we have gone through a comprehensive process of deliberation and public participation unequalled in state government. The Department of Insurance has amassed tens of thousands of pages of evidence, taken testimony from seventy-one expert witnesses, held weeks of public hearings. These regulations have been amended five times in response to the evidence and comments from the public. We didn't just listen to the insurance industry. Consumer advocates, independent experts, and ordinary policyholders were all given their day. I heard from economists, actuaries, accountants, regulators -- and God knows I heard from lawyers, lots and lots of lawyers.

These regulations establish California as the nation's leader in consumer protection. For the first time, the public will lift the veil of insurer secrecy, see past the camouflage of insurance-industry jargon, and have access to the decisions that consumers and businesses depend on in their daily lives.

The regulations incorporate two lengthy decisions I am also issuing today. As much as I know you want me to read these 132 pages to you right now, let me just summarize some of the key findings:

- The Supreme Court has required me to set the profit margin to which insurers are entitled. The companies claimed a legal right to at least 16 percent rate of return -- some as high as 30 percent. I am setting the maximum rate of return for rollbacks at 10 percent.
- I am setting a tough efficiency standard for this notoriously inefficient industry. Any company that spent more than my standard on overhead will have to recover the excess from its owners -- not from California consumers.
- Whole categories of expenses will not be permitted in rates. Political contributions, lobbying, fines and penalties for unfair and discriminatory conduct -- all will be excluded.
- Consumers will no longer have to bear the burden of bloated executive salaries. I'm setting stringent caps on how much the companies can ask consumers to pay for bigwig salaries.
- Insurers that sit on their assets and don't fully use their funds to write insurance will no longer be able to make a profit on their idle wealth.

Understandably, everyone wants to know how much they can expect in their rollbacks. That number will vary from company to company, taking into account the premiums, payouts, overhead, and capitalization of each. We are now running those company-by-company computations, which we will announce in a few weeks.

However, on the basis of estimates we have made for a sample of insurers, we project that California consumers will get back over 2.5 billion dollars on their 1989 insurance bills.

Averages are especially hazardous here, where individual premiums vary so greatly from company to company and according to the characteristics of each insured. But a ballpark estimate for an "average" auto insurance policy would be something over \$100 per car.

When the insurance companies see my decisions, I fully expect they will cry that the sky is falling. You will hear a well-rehearsed chorus: "We're already losing money. We'll go broke. We're leaving the state. Nobody will be able to get insurance."

Don't you believe it.

The property/casualty insurance industry is fundamentally sound and profitable, with adequate resources to honor their obligations. All we're doing is making them refund excessive profits and trim the fat.

These regulations have been carefully crafted to protect against legitimate solvency concerns. Any company that truly cannot meet its rollback obligations may prove that and receive appropriate relief.

Nobody knows better than I the damage caused by insurance companies going broke. I will continue my vigilance to protect the public from insurer insolvencies.

But the problems we have recently encountered with some life insurance companies cannot become every insurance company's shield against consumer rights. Insurers chronically raise the specter of insolvency, for which the only cure known to them is to throw more money their way. The financial health of this industry does not require consumers to forfeit their lawful rights.

Where do we go from here?

I cannot tell you what happens once I issue the company-specific rollback orders. I hope and expect that at least some of the companies are now prepared to obey the law and issue the long-delayed checks. I suspect that others will insist on continuing their fight in court -- where they have won delays but lost every decision.

As you know, the insurers went to court earlier this year, trying to block the hearings that led to today's decisions. It should now be clear why. I have replaced an unwieldy, lenient set of regulations with tough standards that will return to consumers every cent the law permits.

Sadly, some companies are not quick studies. With over 60 lawsuits pending, with the courts repeatedly validating the Commissioner's authority, you might think they'd get the picture. So far they haven't, and I'm fully prepared for another salvo.

In the administrative hearings, the insurance companies had swarms of lawyers from dozens of law firms trying to trip us up. In the past week they launched another paper-blizzard at the Office of Administrative Law, trying to block adoption of our regulations. As we speak, I suspect their lawyers are already generating another ton of papers aimed at denying the people of California the billions of dollars in refunds that are already two years past due.

If the insurance companies insist on yet another war, we're armed and ready. My legal team, Strumwasser & Woocher, has already proven to be more than a match for the battalions of high-priced lawyers representing this belligerent industry. Last January, when I announced these regulations, I also introduced the legal armor I was bringing in to defend them -- and consumers. I have every confidence in our ability to prevail again in court.

Further litigation may gain insurers additional frustrating delay. But their day of reckoning is now much closer, and insurers will eventually have to pay consumers their rollbacks, with 10 percent interest.

Insurers are eager to assert their rights and reluctant to accept their responsibilities. Those who are prepared to abide by the will of the voters -- and the law of the land -- will comply with these regulations. Those who are not, we expect to meet -- and defeat -- in court.

Today's actions demonstrate I am keeping the commitment I made to the people of California in January. I will not waiver from this course until the consumer victory is complete.