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MEMORANDUM

To: California Congressional Delegation
From: Douglas Heller, Executive Director
Re: Federal Attack on California Insurance Reform Proposition 103
Date: March 30, 2004

We are writing to urge you to speak out against an aggressive effort, led by Representative Oxley of Ohio, to undermine one of California's most important consumer protection laws: Proposition 103, the 1988 voter-approved insurance regulation and reform initiative. Billions of dollars in future consumer savings are at stake.

California Insurance Commissioner Garamendi has sent the attached letter to Chairman Oxley opposing the proposal. We would be pleased to provide you with more detailed information about the consumer benefits of Proposition 103 and the dangers of Rep. Oxley's proposal.

At a Wednesday, March 31 hearing of the Committee on Financial Services, Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises, Chairman Oxley will present a proposal that would eviscerate Proposition 103. His proposal is the culmination of an insurance industry effort to weaken state-based oversight of the insurance industry and, specifically, to undermine the rate regulation system adopted by California voters, as well as regulation in other states.

Under Proposition 103, California consumers received more than \$1.3 billion in insurance rate rollback refunds. Through 2000, Californians had saved another \$23 billion on auto insurance premiums as a result of Proposition 103, according to a study by the Consumer Federation of America. In 2003 alone, Proposition 103's regulatory tools were used to block \$35 million in medical malpractice insurance rate hikes for doctors and block more than \$50 million in homeowners insurance increases.

Consumer groups around the country point to California's insurance system as a model in efforts to lower premiums and improve insurance oversight and consumer rights. But, even though profits in California are above average for insurers as compared to profits across the nation, insurance companies want to repeal Prop 103. Rep. Oxley attacks what he calls "the travesty of price controls;" this is a direct challenge to California insurance rate regulation and a threat to California consumers who have been protected by and saved billions under Prop 103.

Insurers are also targeting a host of other consumer protections and tools for insurer accountability associated with the 135 year old system of state-based insurance

regulation. The Oxley proposal would create a federal insurance coordinator who would oversee a federal-state council geared, according to his descriptions, toward loosening state controls over the industry. He would undercut the ability of states to investigate insurance companies for improper practices, weaken the process for licensing new insurance companies and cut down on the review of new types of insurance policies, which would devastate efforts to protect consumers from unnecessary or unsatisfactory insurance policies.

California consumers should not lose their protection from unfair insurance rates and practices through an effort to federalize and deregulate the oversight of insurance companies. Californians learned the dangers of deregulation the hard way during the energy crisis. We hope members of the California delegation will work to quell this nascent attempt to take away states' rights to protect consumers from insurance rip-offs.

In addition to Commissioner Garamendi's letter, we have attached a recent *New York Times* article on the Oxley proposal and a news releases about the success of Prop 103 in protecting California consumers. More information is available at www.consumerwatchdog.org. If you have questions about this issue, please contact me at (310) 392-0522 ext. 309.