

CO-FOUNDER'S REPORT:

United We Stand

By Amy R. Bach

Since 1991, United Policyholders has become a well-respected resource on insurance issues for consumers, elected officials and journalists in California, Texas, and throughout the United States. We continue to generate policyholder-oriented information on insurance issues via:

- community meetings;
- legislative committee meetings and hearings;
- judicial proceedings where there are legal issues affecting policyholders; and
- television and print media.

With the exception of the Mt. Vision firestorm, there have been few large scale disasters in California since 1994. This has given us more time to participate in the public policy arena, and to strengthen the organization.

UP is a key player in Sacramento proposing solutions to ease the shortage of homeowners and earthquake insurance. We are collaborating with other consumer groups, and matching consumers with agents who can help.

We are proud to deliver this newsletter to our California members. Our goal is to publish the newsletter quarterly and to provide useful, timely information. We welcome your comments and suggestions for future editions.

Like most non-profits, UP is in a constant struggle for survival. We rely on the dedication and commitment of a small group of volunteers, individual donations, and grants. Our fundraising efforts are hindered by the fact that we are a single-issue organization tackling what some view as "middle-class" issues.

And...we won't deny it, insurance is not the most interesting subject in the world to most people -- unless they have first-hand experience with a major claim. Insurance protection is critical after a loss, and the larger the loss is, the more information and assistance is needed to ensure a fair claim settlement. We aim to disseminate useful and reliable information as widely as we can.

Anyone who has confronted the "second disaster" of negotiating a major insurance claim knows how important United Policyholders' work is, and why the organization needs to be strong and well-funded.

UP's most important asset is the people who comprise the organization. Those of you who have worked with Ina De Long know she is a force of nature. Her savvy, compassion and dedication have helped thousands of policyholders throughout the United States get what they were entitled to under their policies and rebuild their homes and lives after disaster, while retaining their dignity in the process.

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UP Co-founder Ina De Long is now a nationally recognized insurance consumer advocate.

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The Industry's "Crisis Du Jour": HO/EQ Insurance

Those of us who have followed the insurance industry for many years know that periodic "crises" erupt during which one or more kinds of insurance suddenly become unaffordable, unavailable, or both.

What causes these "crises"?

While some insurance "crises" are related to financial trends, many seem to be designed by insurance executives to pressure public officials to enact political agendas.

In California today, insurers are "non-renewing" homeowners and earthquake policies on a mass scale. Consumers and businesses throughout the state are finding it very hard to buy policies to protect themselves and their property. Real estate sales are being disrupted.

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Crisis Du Jour (cont'd from p. 1)

Insurers say they can't afford the exposure and want to get out of the business of selling earthquake coverage. But...we've had earthquakes in this state for many years, and insurance underwriters have been calculating the risk and setting rates to cover it.

As always, the truth lies somewhere in between:

A Historical Perspective

Several years ago, day care centers, doctors and recreational facilities experienced the same problem: Companies that had insured them for many years suddenly refused to renew their policies. When they called other companies, they were told the same story over and over -- "We can't insure you," or "We will insure you, but for ten times the premium you were paying."

The carriers' excuse was a claimed "litigation explosion." A number of studies revealed that **lawsuits and verdicts were actually decreasing**. Market forces and public pressure soon cured the so-called "crisis".

Earthquakes are not new to California. There is no reason why carriers can't continue to compete in pricing and selling policies that cover the peril of earthquakes.

What solutions are UP proposing?

- Let the "mini" earthquake policies authorized by the legislature last year work their way into the market. Although these policies provide only bare bones coverage, they can be supplemented, and they allow competitive forces to remain in play.
- **Keep the "FAIR PLAN"** open to consumers until a better solution is found.
- **Enforce existing laws** to protect consumers against unlawful cancellations and non-renewals.
- Place a **moratorium** on mass non-renewals until solutions can be found
- Give captive insurance agents a "**right of first refusal**" so they can continue to serve their customers by ferreting out available policies.

- Create incentives for all Californians to buy minimal earthquake insurance, even if they don't live in quake-prone areas. **Risk-spreading** is the essence of insurance, yet under our current system, only those who live in earthquake-prone regions are buying insurance. This leads to a self-perpetuating problem whereby the coverage is so expensive, fewer people buy it, so it gets even more expensive.

- Create **market incentives** that will strengthen competition among insurers and reduce the concentrated power that now rests in the hands of a small number of very large insurers.

What is UP doing about the homeowners/earthquake situation?

- Identifying carriers, such as Calfarm, who are still selling HO/EQ insurance.
- Promoting the "Match-UP" program to match those who can't find insurance with agents who can.
- Working with other consumer groups to advance sensible, practical solutions.
- Ina De Long is sitting on the Advisory Board to the CEA; Commissioner Quackenbush's proposed solution to the earthquake insurance problem.
- Ina and Special Counsel Greg Kaighn are working long hours in Sacramento tackling this issue.

What is the status of Match-UP?

The City of Oakland showed its commitment to helping solve the homeowners/earthquake insurance crunch by funding UP's pilot "Match-UP" program with a generous grant of \$10,000. Councilmembers Dick Spees and Sheila Jordan were instrumental in securing the funds.

The program has had a slower start than we'd hoped because of insurance agents' resistance to participating. We are working hard to solve this problem and to make the best possible use of the funds for the benefit of Oakland residents.



UP Co-founder Amy R. Bach

Co-Founder's Report (cont'd from p. 1)

Many of you also know me, the "behind the scenes" co-founder. I've been an insurance consumer advocate for thirteen years and a policyholder's attorney for the past seven years.

The insurance expertise, political acumen and personal commitment that drives our Board of Directors, Legal Advisory Board and our volunteers are what make us a respected force to be reckoned with.

The Oakland-Berkeley area remains a strong and vital source of support for us. We are proud to have served the community after the 1991 firestorm, and deeply appreciate the reciprocal support we have received through donations and volunteers. A generous grant from the Oakland City Council allowed us to purchase computer equipment and rent an office for six months to launch a pilot program - "Match-UP."

We are proud to announce a major foundation grant which we recently received from the California Consumer Protection Foundation. Most of the money will be devoted to producing educational videotapes that will replicate our claims information meetings and workshops. These videotapes will be available for purchase and/or rental to community organizations, relief agencies and individuals.

UP of Texas was incorporated in 1995 and is thriving.

Volunteers are always needed and always welcome. If you or a friend are interested in working on the videotapes or other projects, contact me at (415) 393-9990, or Ina at (510) 763-9740.

Auto Insurance Update

No-fault, a bad idea that won't go away

California's system for settling auto insurance claims may not be perfect, but it's working. Increased fraud prosecutions and price competition are bringing costs down. Judicial reforms and political forces have discouraged litigation and reduced jury verdicts substantially.

There is strong evidence that our system should not be replaced with a radically different "no-fault" system patterned on New York's model:

- Auto insurance costs more on average in New York, which has "no-fault," than California, where average liability premiums dropped 4.5% between 1989-1994.
- The promised benefit of faster claim settlements does not justify the loss of adequate wage loss and other benefits.

In overwhelmingly rejecting Proposition 200 on the March 26th ballot, voters said "no thank you" to no fault. Despite the public's clear message, legislators continue to push no-fault bills in Sacramento. One such bill, SB1129, (Sen. Killea, R-San Diego), is opposed by a number of consumer groups, including United Policyholders.

As UP wrote to Sen. Killea; "Californians are facing a number of pressing insurance problems today, and fortunately, our automobile insurance system is not one of them. There is no reason to radically change the current system...No-fault systems enacted by other states have not delivered the promised benefits of lower rates and superior claim results, and illustrate why we should not repeat their mistakes."

CU Study Reveals Record Profits of Auto Insurers

On June 5th, 1996, Consumers Union published the results of a survey on auto insurer profits and the story made front page news (S.F. Examiner, 6-5-96). *According to CU, the state's top ten auto insurers overcharged consumers to the tune of \$800 million in 1995. Policyholders should write to Commissioner Quackenbush and request corrective action.*

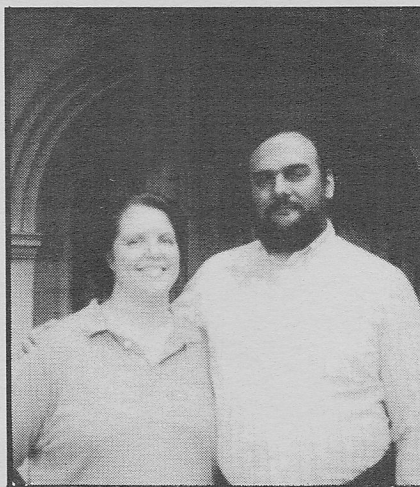
Auto Insurance Tips

By Ina De Long

Check your auto policy's current limits for bodily injury and make sure they're high enough. The minimum limits required by law do not reflect increased medical costs and are not adequate to protect most people from personal exposure. Raising them to a safer level should not substantially increase your premium, and is a wise move.

If you've been in an accident, make sure you go to a reputable auto repair shop that will evaluate whether the safety features of your car, (seat belts, air bags etc.) need to be replaced. Seat belts should generally be replaced after an accident. This cost is covered and your insurer should pay for it.

The "MVV" Award Most Valuable Volunteer



Diana and Michael Petzar in front of their home in the Oakland hills.

Diana Petzar and her husband Michael are residents of Oakland. After their insurer told them it would not renew their homeowners insurance, they spent many frustrating hours trying to find a replacement policy. Realizing theirs was part of a larger problem, Diana volunteered to help launch UP's "Match-UP" program to help others, and soon became an invaluable member of our team. Thanks Diana! (and Michael)

Special Thanks

United Policyholders also thanks those who have provided invaluable support over the past five years. They include:

- Sheldon Messinger, U.C. Center for the Study of Law and Society
- David Shaffer, Independent Insurance Agent
- Gregory Kaighn, Esq.
- Arnold Levinson, Esq.
- Douglas Lord, Esq.
- Jim Canning, Canning Design
- The Oakland City Council
- David Belt, AXIS Construction
- Consumer Attorneys of California
- William Shernoff, Esq.
- Kevin De Long
- Betsy Adler, Esq.
- John Ritchie, Esq.
- Betty Ann Bruno
- Jude Kaye
- Peter Dempsey
- David Zebker, CPA
- Anna Maria Galdieri, CPA
- The Greenspan Company

Express your opinion!

Assemblyman Knowles (R-El Dorado County) chairs the Assembly Insurance Committee. Consumer input would be helpful to Assemblyman Knowles.

**State Capitol
Room 2196
Sacramento, CA 95814
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Fax (916) 327-2210**

Senator Herschel Rosenthal (D-Van Nuys) chairs the Senate Insurance Committee and is a champion of consumer interests. Under his supervision, the committee has held hearings on HMO and health insurance abuses, the proposed "CEA" (CA. Earthquake Authority), and other important topics.

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*Charles Quackenbush (R), Commissioner, CA. Dept. of Insurance. Mr. Quackenbush is the first Republican to win this post since Proposition 103 made it an elected office. UP has tried hard to work cooperatively and constructively with the Commissioner, but insurance industry funds supported his campaign, and he makes no secret of the fact that **their** interests are a priority in his decision-making.*

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Membership Information

A basic annual membership in United Policyholders is \$35. Registration in "Match-UP" is included upon request with submission of your membership form. Regular members will receive our quarterly newsletter. Match-UP members will receive the newsletter plus a list of insurance agents who can help find homeowners and earthquake coverage in today's restricted marketplace. Membership dues should be sent to:

UNITED POLICYHOLDERS
110 Pacific Ave. #262
San Francisco, California 94111

Office Information

Correspondence to United Policyholders should be sent to 110 Pacific Ave., #262, S.F., CA, 94111, or 2110 "K" St., Suite 19A, Sacramento, CA 95816. Messages can be left at (510) 763-9740 or (916) 444-0381.



The Cautious Man

*He was a cautious man
Who never romped or played.
He never drank, he never smoked
Nor even kissed a maid.*

*And when he upped
and passed away
Insurance was denied.
For since he hadn't ever lived,
They said he never died.*

Eugene R. Anderson

What's UP

Editor: Amy Bach
Asst. Editor: Rich Dunn

Health Insurance

Did you know HMO's are not regulated by the Department of Insurance? Under current law, they are regulated by the Department of Corporations. If you have a problem with an HMO claim, contact the DOC at (916) 445-7205.

Did you know your health insurance policy probably contains a provision that forfeits your right to a jury trial if your claim is wrongfully denied? Mandatory arbitration clauses have become standard in health insurance policies. Unfortunately, individual consumers have no bargaining power to exclude such clauses, yet arbitrations are expensive, time-consuming, and tend to favor insurers.

Sen. Rosenthal is sponsoring S.B. 1660 aimed at making arbitrations under HMO policies more fair for consumers, but the bill is only one reform of many that are needed.



united policyholders

AN INSURANCE CONSUMER ORGANIZATION

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