

CA Supreme Court Rebuffs Insurance Industry Assault on Proposition 103 Rate Protections, Says Consumer Watchdog

Insurers' "Continuous Barrage of Frivolous Lawsuits" Asks Courts to Undo Voter Protections that Saved Consumers Hundreds of Billions of Dollars

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SANTA MONICA, Calif., May 11, 2017 /PRNewswire-USNewswire/ -- The California Supreme Court has rebuffed an assault by Mercury Casualty Co., State Farm, Allstate, Farmers and other insurance companies on Proposition 103, the landmark insurance reform law that has saved California consumers over \$100 billion since voters passed it in 1988. The Court let stand a lower court ruling that upheld a \$16 million reduction in the homeowners rates charged by Mercury.

Proposition 103 requires insurance companies to open their books and justify their rates before they go into effect. Regulations bar insurance companies from charging excessive rates and passing through unjustified expenses to policyholders. And the law allows consumers to challenge applications for excessive rates.

In 2009, Consumer Watchdog challenged a request by Mercury that it raise its homeowners rates by 8%. Consumer Watchdog discovered that Mercury was trying to sneak into its rate increase nearly a million dollars' worth of political contributions and lobbying expenses. The company also wanted to make its policyholders pay for non-insurance related advertising expenses. After years of legal maneuvering by Mercury, Insurance Commissioner Dave Jones in 2013 ordered Mercury to *lower* its overall homeowner's rates by 5.4%.

Mercury and other insurers then sued in Sacramento Superior Court, arguing that they should be free to charge whatever their executives say they need and that the rules violated their constitutional rights to a fair profit and freedom of speech.

The high court order, issued late Wednesday afternoon, let stand a lengthy decision by the Court of Appeal in Sacramento last February that rejected the insurance industry's arguments as "hocus pocus" and "smoke and mirrors – nothing more."

Consumer advocates hailed the Supreme Court's action but noted that the Mercury lawsuit is merely the latest in a coordinated industry strategy targeting Proposition 103 in the judicial branch. Last November, State Farm filed a lawsuit in San Diego Superior Court, challenging an order that it lower its homeowner, condo, and renters insurance rates by 7% - a savings of about \$78.6 million per year for State Farm's 1.7 million customers – and pay an estimated \$100 million plus interest in refunds for past overcharges. State Farm is raising arguments similar to those rejected by the Court of Appeal decision in the Mercury case. A hearing on State Farm's lawsuit is expected later this year.

And in another case currently before the Court of Appeal in Orange County, Mercury is seeking to evade a \$27 million fine for overcharging its customers.

"By refusing to hear their appeal, the California Supreme Court has left intact more than \$16 million in rate reductions for Mercury policyholders. But more importantly, the courts are safeguarding the voters' decision to create a system of rate regulation that is the strongest in the nation and that has saved California motorists alone over \$100 billion since the measure passed - approximately \$8,000 for every family in California," said Pamela Pressley, Consumer Watchdog's lead attorney in the case.

"The California insurance industry is inundating the courts with a continuous barrage of frivolous lawsuits trying to win from the judicial branch what the companies lost at the ballot box nearly three decades ago when they spent \$63 million trying to defeat Prop 103," said Harvey Rosenfield, the author of Proposition 103.

Consumer Watchdog is a non-profit, non-partisan citizen organization. The organization has saved California consumers \$3.3 billion over the last fifteen years by challenging excessive and unfair auto, home, business and medical malpractice rates.

Read about the February 10, 2017 Court of Appeal decision rejecting the insurance industry's challenge to the Proposition 103 regulations.

<http://www.consumerwatchdog.org/newsrelease/court-appeal-rejects-insurance-industry-challenge-prop-103-insurance-rate-protections>

Read Consumer Watchdog's brief urging the Supreme Court not to review the Court of Appeal decision.

http://www.consumerwatchdog.org/sites/default/files/resources/2017-04-10_5_cwd_combined_answer_to_petitions_for_review.pdf

Read about State Farm's lawsuit in San Diego to avoid \$256 million in refunds and rate savings for consumers.

<http://www.consumerwatchdog.org/newsrelease/state-farm-sues-avoid-256-million-refunds-and-rate-savings-consumers>

Read about the CFA report on Proposition 103 and link to it here: <http://www.consumerwatchdog.org/blog/100-billion-win>

Read more about Proposition 103 here.

<http://www.consumerwatchdog.org/focusarea/prop-103-california-insurance-reform>

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