

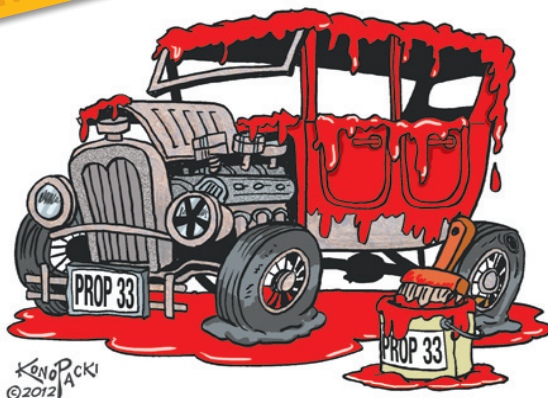
THE California Consumer

FALL 2012

THE NEWSLETTER OF THE CONSUMER FEDERATION OF CALIFORNIA

ELECTION ALERT

No on Prop 33: It Raises Auto Insurance Rates on Good Drivers



Prop 33 is a deceptive insurance industry trick to allow insurance companies to raise rates on motorists with perfect driving records. It deregulates the auto insurance industry and carves a loophole in state insurance law, banning regulatory review of this new rate hike.

Mercury Insurance's billionaire Chairman George Joseph has donated more than \$16 million toward Prop 33, a nearly identical replay of Mercury's unsuccessful 2010 Prop 17 initiative, which was also aimed at raising auto insurance costs on millions of drivers.

Prop 33 would allow insurance companies to charge higher rates to millions of customers, including motorists with perfect driving records if they have not purchased auto insurance at some point in the past five years. Drivers must pay this unfair penalty even if they did not own a car or need insurance at the time.

It discriminates against people who didn't drive for a period of time because they were ill, unemployed, are students entering the workforce, or are eco-friendly by taking public or other transportation, and then need car insurance to drive again.

According to the California Depart-

ment of Insurance, the financial penalty that insurance companies want to impose may "discourage [people] from buying insurance, which may add to the number of uninsured motorists and ultimately drives up the cost of the uninsured motorists coverage for every insured." More uninsured drivers hurt taxpayers and the state.

Mercury, which operated exclusively in California until 1990, now operates in 13 states. In states where the Prop 33 kind of surcharge is legal, the result has been higher premiums: Texans may pay 61% more, Nevadans 79% more, and Floridians 103% more.

Prop 33 deregulates the insurance industry, making big insurance companies less accountable, which is why this measure is funded by an insurance billionaire whose company has a history of overcharging customers. The California Department of Insurance said that Mercury has "a deserved reputation for abusing its customers and intentionally violating the law with arrogance and indifference."

Proposition 33 will raise auto insurance rates. Tell this insurance company billionaire it's not okay to deregulate auto insurance. Vote NO on Prop 33.



2012 LEGISLATIVE SUMMARY

The following is a partial list of key consumer rights bills.

Consumer bills signed by Governor

AB 40 (Yamada) ensures abuse is properly handled involving the elderly and dependent adults by mandating the cases be reported to both the local Long-Term Care Ombudsman and local law enforcement.

AB 1447 (Feuer) provides protections for purchasers from "buy here pay here" used car dealers, including a 30-day or 1000 mile warranty.

AB 1534 (Wieckowski) requires Buy Here Pay Here dealerships to display on the vehicle the fair market value of the vehicle.

AB 1830 (V.M. Pérez) enables the CPUC to provide mobile home park residents with safeguards against unreasonable water service rates.

AB 2006 (John Perez) authorizes state-chartered credit unions to provide financial services to Californians who do not have bank accounts.

AB 2149 (Butler) prohibits a settlement of an elder or dependent adult abuse case from containing a gag order preventing a report of the abuse to law enforcement or other government agency or to the defendant's employer.

AB 2296 (Block) improves reporting by private for-profit post-secondary education institutions of student loan default rates and requires the Bureau of Private Post Secondary Education to develop standards for reporting graduates' job placement rates.

**"Prop 33 is an old jalopy
with a new coat of paint."**

— *Sacramento Bee, Editorial, September 2012*

▶ CONTINUED ON NEXT PAGE

2012 LEGISLATIVE SUMMARY

► CONTINUED FROM PREVIOUS PAGE

SB 1170 (Leno) regulates providers of annuity products to elderly veterans, eliminating predatory marketing practices that have steered veterans into unsafe investments at exorbitant fees.

SB 1538 (Simitian) provides a notification requirement ensuring a woman is aware of her breast density so she can make informed decisions about her healthcare.

Anti-consumer bill signed

SB 1161 (Padilla) eliminates the jurisdiction of the California Public Utilities Commission to regulate internet-based telecommunications (IP and VOIP-enabled), thereby removing a government watchdog from protecting most telecom consumers.

Consumer bill vetoed

SB 956 (Lieu) would have required Buy Here Pay Here dealerships to obtain a California Finance Lenders license from the Department of Corporations.

Bills killed in legislature

AB 1648 (Brownley) would have placed before voters for their approval stronger disclosures in advertisement of large donors to political campaigns and ballot measure campaigns.

SB 491 (Evans) would have prevented consumer contracts containing mandatory pre-dispute arbitration provisions from barring class arbitrations.

SB 890 (Leno) would have required debt buyers have essential information about a debt and share it upon request.

SB 1208 (Leno) would have required publicly traded corporations to disclose the retirement compensation packages for the five most highly compensated retirees.

NO on 32

**STOP THE SPECIAL
EXEMPTIONS ACT**

**"It actually tilts the
political playing field in
favor of the wealthy and
corporations."**

— San Jose

*Mercury News, Editorial,
September 2012*

No on Prop 32: Corporate Loopholes Exempt Su

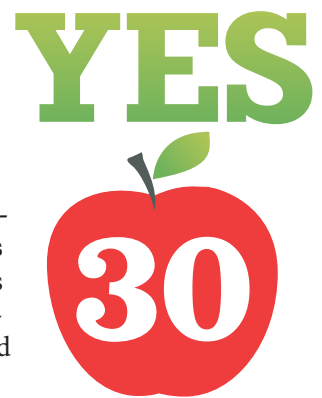
Prop 32 is funded by billionaires to tilt the political p from the campaign contribution rules it would place on w

Prop 32 deceptively claims the measure will rein in c corporations. In truth, **the one-sided measure carves ou** corporate PACs.

Trust fund billionaire Charles Munger, Jr. recently dona dedicated to defeating Prop 30 and passing Prop 32, and Moines, Iowa-based Super PAC gave \$4 million to the Yes the American Futures Fund to the billionaire oil tycoons have a combined net worth of over \$60 billion.

The measure would strangle union members from jo **cludes the same corporate special interests that are fund** hedge fund managers, Wall Street bankers, big developers

Yes on Proposition 30: Restores Education Funding



**Prop 30 would provide \$8.5 billion a year in fund-
ing to public schools, public colleges and universities
and public safety programs.** California's public schools
and colleges have been devastated by years of cuts. With-
out it, public K-12 schools, community colleges, UC and
CSU face another \$6 billion in cuts this year.

**Prop 30 also establishes a guarantee of public safety
funding** in the constitution, stopping politicians from taking cops off the beat with-
out voter approval.

Prop 30 asks the top 2 percent of income earners to pay a bit more in income taxes to keep schools and colleges open. The measure establishes a small temporary tax increase on families that earn more than \$500,000 a year, and on individuals that earn over \$250,000 a year. It also establishes a temporary 1/4 percent sales tax increase for four years. **Income taxes on families earning less than \$500,000 a year will not increase.**

California's public educational institutions are a key to creating an informed citizenry. They train the skilled employees that sustain our industries, elevate our economy and advance the new technologies that create the wealth that makes California a great place to live. Vote YES on Prop 30.

**"...vital to California's future
on many different levels."**

— Sacramento Bee, Editorial, October 2012



STOP PROP 33

No on Prop 33: It raises insurance rates on good drivers. Prop 33 hurts:

Disabled Californians who suspend their car insurance and then recuperate and want to get back behind the wheel;

Students who don't own a car while living on campus and need to drive to a job when they graduate;

Folks who commute by bus or light rail, or who bike to work, and need to start driving when they move;

per PACs from Campaign Finance Law

playing field in their favor by exempting super PACs working people and labor unions.

campaign contributions from both unions and at giant loopholes for billionaire donors and

ated approximately \$20 million to a committee the secretive "American Futures Fund," a Des on Prop 32 campaign. Newspaper reports link Charles and David Koch, who are estimated to

ining together to contribute to campaigns, but it ex-
ling the campaign: big oil companies, insurance company executives, and Super PACs. Vote No on Prop 32.



No on Prop 38: Tax Hike on Working Poor and Middle Class



Proposition 38 would raise income taxes on low and moderate income Californians to fund early childhood and K-12 education. It fails to provide any help to public higher education, which has faced devastating cuts since 2010.

Prop 38 would raise taxes on taxable incomes as low as \$7,316 a year. In contrast, Prop 30 raises income taxes only on families earning over \$500,000 a year.

Prop 38 provides no funding for public higher education. In contrast, Prop 30 restores funding to K-12, community colleges, CSU and UC campuses.

Prop 38 is funded by trust fund billionaire Molly Munger, who has donated more than \$30 million to the campaign so far. Munger rejected appeals by teachers to unite behind a single measure that would help all public schools and colleges without punishing the working poor with higher income taxes.

The Consumer Federation of California supports better funding for all levels of public education and tax fairness. **Prop 38 fails both tests.** We recommend No on Prop 38 and Yes on Prop 30.



"...layers a new funding and budgeting scheme on top of one that's already too complex...That would be crazy."

— *San Gabriel Valley Tribune, Editorial, October 2012*

Long-term unemployed who resume driving when they find a new job; and

Veterans who need to rehabilitate from their wounds, or go back to school for career training, before they start driving when they re-enter the workforce.

Billionaire Hostile Takeover of the Ballot

BY RICHARD HOLOBER
EXECUTIVE DIRECTOR



When it comes to billionaires buying laws, the November ballot sets the record.

A direct assault on consumers comes from George Joseph, the billionaire boss of Mercury Insurance. Mr. Joseph has put \$16.4 million into Proposition 33, a measure that deregulates automobile insurance. Prop 33 would allow Mercury and other insurers to raise premium rates on perfect drivers.

California's effective auto insurance rate regulation has created a highly competitive market and gives the Insurance Commissioner the power to blow the whistle on rate gouging by companies like Mercury. Prop 33's fine print strips the Insurance Commissioner of the ability to stop unjustified premium rate hikes on millions of consumers.

It's no surprise that Mr. Joseph is trying to buy a new law that would make it easier to rip off consumers. His company, Mercury Insurance, is in the basement in customer satisfaction, according to surveys by Consumer Reports and JD Powers and Associates.

Prop 32 is another billionaire-funded measure. It eliminates the modest ability of working people to band together through unions in support of candidates that are not entirely beholden to corporate special interests. Funded by insurance trust fund billionaire Charles Munger and the out-of-state oil billionaire Koch Brothers, Prop 32 exempts secretive super-PACs that big oil, insurance, hedge funds and other corporate interests favor from the campaign contribution restrictions that it imposes on unions.

Charles Munger has teamed up with his billionaire sibling Molly Munger to defeat Prop 30. If they succeed, our public schools and colleges will take another \$6 billion hit. The Mungers have put over \$15 million in ads attacking Prop 30, because the measure asks the wealthiest two percent to pay a little more to restore funding to our public schools.

Molly Munger is the sole funder, to the tune of \$30 million, of Prop 38, which taxes the working poor and middle class families to fund K-12 education. Instead of teaming up with teachers to back Prop 30, a measure that is popular with voters, Ms. Munger decided to go it alone with an unpopular measure that taxes the needy. And with the sense of selfish entitlement that seems to accompany her trust fund wealth, she has decided to bring down Prop 30 and public education in a fit of spite.

November's ballot is about more than insurance regulation, education funding and special interest exemptions. It is about whether a handful of billionaires can take over California's initiative system. Yes on 30, and No on 32, 33 and 38 protect consumers and taxpayers, and also to send a message that Californians oppose this hostile takeover.

ABOUT US

The Consumer Federation of California (CFC) is a non-profit advocacy organization. Since 1960, CFC has been a powerful voice for consumer rights, campaigning for state and federal laws that place consumer protection ahead of corporate profit. Each year, CFC testifies before the California legislature on dozens of bills that affect millions of our state's consumers and appears before state agencies in support of consumer regulations.

Contributions are not tax deductible.



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CONSUMER VOTING GUIDE — VOTE ON NOVEMBER 6



YES ON PROP 30

Restores Education Funding

“...would do a better job of protecting crucial programs and put the state budget on a path to fiscal health.”

—*Los Angeles Times*,
Editorial, October 2012

OTHER PROP 30 SUPPORTERS:

California Faculty Association
California Federation of Teachers
California Nurses Association
California Teachers Association
League of Women Voters



NO ON PROP 32

Corporate Loopholes
Exempt Super PACs from
Campaign Finance Law

“...a transparent power grab.”

— *Sacramento Bee*,
Editorial, September 2012

OTHER PROP 32 OPPONENTS:

California Labor Federation
California League of Conservation Voters
California Professional Firefighters
California Teachers Association
League of Women Voters



NO ON PROP 33

Raises Auto Insurance
Rates on Good Drivers

“...fundamentally unfair and impossible to support.”

— *San Diego Union Tribune*,
Editorial, September 2012

OTHER PROP 33 OPPONENTS:

California Church Impact
Consumer Watchdog
Consumers for Auto Reliability and Safety
Consumers Union (publishers of *Consumer Reports* magazine)
National Organization for Women



NO ON PROP 38

Tax Hike on Working
Poor and Middle Class

“...a funding scheme that could end up wasting precious taxpayer dollars.”

—*Contra Costa Times*,
Editorial, September 2012

OTHER PROP 38 OPPONENTS:

California Alliance for Retired Americans
California Faculty Association
California Medical Association
California Nurses Association
Faculty Association of California Community Colleges