



June 19, 2009

George Joseph, Chairman of the Board
Mercury General Corporation
4484 Wilshire Boulevard
Los Angeles, California 90010

Dear Mr. Joseph,

In these times of great economic pain, it is almost unfathomable that a billionaire like you would file a ballot measure permitting your insurance company to surcharge previously uninsured motorists and raise auto insurance premiums for millions of motorists.

The unemployment rate in California is 11%, and the unemployed often must choose between buying food for their families and driving an automobile. If they chose food, why should Mercury Insurance be allowed to surcharge them once they get back on their feet and decide to drive and purchase auto insurance again? Your initiative is a declaration of class war on millions of Californians whose plight you clearly do not understand.

Your consultants, lobbyists and lawyers have consistently tried to frame your proposals to surcharge Californians as offering discounts to those motorists who maintain continuous auto insurance coverage. Your initiative fails to mention that the provision of Proposition 103 that you propose to eliminate protects against discriminatory surcharges, stating, "The absence of prior automobile insurance coverage, in and of itself, shall not be a criterion... for automobile rate, premiums, or insurability." When invalidating Senate Bill 841, your previous legislative attempt to undo this provision and surcharge uninsured motorists, the Court of Appeal noted:

"Mercury concedes that "uninsured persons will always be excluded" from the premium discount that Sen. Bill 841's prior-insurance rating factor accomplishes. This runs contrary to the declared purposes of Proposition 103 and contravenes the voters' directive against insurance rates that are "excessive, inadequate [or] unfairly discriminatory." 132 Cal. App. 4th 1352, 1367-1369

Why are you attacking California consumers at a time when they can least afford to pay more for auto insurance? Any discount for continuously insured motorists amounts to a surcharge on those who choose not to drive but instead take the bus; on students; on stay at home spouses; and on those who are forced by the current economic circumstances to let their auto insurance lapse. Can you even conceive of what you would do if you were in their shoes? This is a question you will be asked by every Californian, and you will be forced to answer. You will not be able to hide behind your expensive consultants, no matter what they are telling you.

California's uninsured motorist rate is 18% and the Insurance Information Institute expects a further 16.7% increase in the ranks of uninsured drivers by 2010 as a result of the economic downturn, which is particularly severe in California. Your initiative will drive it up even more by creating a barrier to entry for those who later return to the marketplace to buy auto insurance. Putting more uninsured motorists on the road endangers us all and drives up the cost of auto insurance for everyone by raising uninsured motorist premiums. In addition, during a budget crisis, the costs of uninsured motorists who get into car accidents will fall heavily upon already burdened public assistance programs like Medi-Cal, emergency rooms, and clinics. The fiscal cost to the state of your proposal is something California taxpayers should not be forced to bear in these difficult times.

We know that for many years, you have objected to and worked against Proposition 103's "no prior" rule and other consumer protection laws. Remember how you tried to repeal the voters' dictate that auto insurance premiums be based primarily on their driving safety record rather than on their zip code, one of the most unfair and reviled practices of the industry? The changes have finally taken effect, and they have resulted in a more equitable system – one that has been embraced all over the state by California's vibrant and diverse consumer marketplace. Your company has prospered greatly in the California marketplace over the last two decades, making you, Mercury's new CEO Gabe Tirador, and other Mercury executives wealthy beyond imagination. You have directly benefited from this improved California marketplace while other states' insurance systems have destabilized (perhaps you regret expanding into New Jersey and Florida, where you have lost money).

Now you would turn back the clock on the Californians you want to do business with, seeking to impose an unfair, costly and discriminatory system at a time when all Californians are in the same boat, and struggling hard to stay afloat. It's the time for you to understand that a billionaire's point of view about his rights to unfettered business practices should not trump society's right, in a mandatory auto insurance state in the midst of a depression, to make sure premiums are fairly priced for all Californians. That you might spend millions of your personal wealth and your shareholder's money running a campaign in support of an anti-consumer initiative will not be lost on California voters who have become rightly suspicious of corporations and special interests using the ballot box to confuse and deceive the public and enrich themselves.

As one of the 1,000 richest people on the planet, isn't there a better use of your resources than an initiative that wages class warfare on the Californians who are not as fortunate as you?

If you start a class war, you better be ready for the populist anger it will unleash against you and your company. The people of California would certainly be within their rights to attack your wealth and your means of accumulating it. Voters could easily declare via initiative that any insurance company that earns the majority of its premiums selling government mandated auto insurance to Californians shall have strict limits on executive compensation, be prohibited from having a board member own a significant share of the company stocks, or be required to refund excess profits annually. In addition, many of your company's controversial marketing practices could be strictly regulated to make sure every customer gets a fair quote on price. For example, any insurance agency owned by a California insurer selling mandated auto insurance

should be required to disclose that ownership in any print, radio or television advertising, and disclose that the customer might find a less expensive policy from an independent agent or another company. Additionally, it would be appropriate to impose stiff penalties on all insurance agents who fail to fulfill their obligation to inform customers of the existence of the low-cost auto insurance policy presently available under state law.

The last time you pondered a ballot assault on California consumers, you thought better of it and wisely chose not to proceed. What has changed? Do you believe that the current economic conditions give you and your insurance company a better opportunity to wage a deceptive and divisive campaign whose goal is to further enrich yourselves? Are you ready to pit your personal reputation and that of your company against the voters' determination to maintain a fair insurance marketplace? Do you think their resolve has lessened since 1988?

We call upon you to withdraw this ballot measure and ask that you notify us of your intention to do so by Friday June 26, 2009.

Sincerely,



Harvey Rosenfield



Jamie Court



Douglas Heller