

**A CATALYST**

**FOR CHANGE**



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**REVISION #6(FINAL)**

# CONSUMER WATCHDOG: FIGHTING AND WINNING FOR CONSUMERS

**"E**xpose. Confront. Change." The motto flashing on computer screens at Consumer Watchdog's offices in Los Angeles and Washington, D.C. is the heartbeat of this effective nonprofit group. Its committed team of 15 consumer advocates has changed the world for the better in ways that its small numbers would not suggest were possible.

Consumer Watchdog's successful recipe: educate, advocate, and litigate on behalf of average Americans and everyday citizens about problems with corporate and political corruption that everyone agrees on, but no one is fixing.

"Our job is to mobilize public opinion, so that powerful corporations and politicians bend to it," says Consumer Watchdog President Jamie Court. "Public opinion is the most powerful force in the world. When two-thirds of Americans believe change is needed, we can make it happen."

For more than two decades, this David has taken on Goliaths and won. Among some of Consumer Watchdog's landmark efforts:

## REFORMING INSURANCE COMPANIES & SAVING CONSUMERS BILLIONS

In 1985, consumer advocate Harvey Rosenfield founded Consumer Watchdog. Auto insurance rates were skyrocketing and lawmakers weren't acting. So, Rosenfield developed insurance reforms that voters passed as a ballot measure in 1988. Proposition 103 made the office of insurance commissioner accountable to the voters, required auto and home insurance companies to get approval before raising rates and ended ZIP-code based auto insurance. The Consumer Federation of America reported 20 years after its passage that Proposition 103 has saved drivers \$62 billion on their auto insurance bills and created the fourth most competitive auto insurance market in America. Today, Consumer Watchdog uses the state's effective insurance regulatory regime to expose and stop insurance company price gouging.



Photo Courtesy of Consumer Watchdog

## PIONEERING PATIENTS' RIGHTS AND REINING IN HEALTH INSURERS

Consumer Watchdog was among the first groups in America to expose and confront HMOs and health insurance companies for denying patients medically-necessary treatment. As a result of the group's efforts, doctors — not health insurance bureaucrats — have the final say over recommended care, patients have a right to second opinions, and newborns and their moms are allowed to stay in a hospital for a minimum of 48 hours. In addition, insurance companies can no longer cancel coverage for an innocent omission on an enrollment form. Currently, Consumer Watchdog is fighting to force health insurance companies to justify and get permission before raising rates, like auto and home insurance companies must.

## ENDING UNFAIR BUSINESS PRACTICES

Consumer Watchdog holds big corporations accountable for abuses in the courts, the court of public opinion and before regulatory agencies. The nonprofit has prevented oil company rip-offs by stopping artificial shutdowns in California gasoline refineries that drive up gas prices. Its lawsuits have protected cellphone users from unfair billing.

Consumer Watchdog's petitions to regulatory agencies have led to the largest fine ever levied by the Federal Trade Commission to protect consumer privacy, an end to proposed anti-competitive mergers (like the recent merger of AT&T and T-Mobile), and better rules to protect consumers.

"Every day, there are thousands of lawyers and lobbyists doing everything they can to give their corporate paymasters an advantage over consumers," founder Rosenfield explains. Fortunately, Consumer Watchdog has our backs.

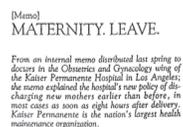
**“Public opinion is the most powerful force in the world. When two-thirds of Americans believe change is needed, we can make it happen.”**

Jamie Court  
President of Consumer Watchdog



## LOOKING OUT FOR YOU OVER THE YEARS: Key dates for Consumer Watchdog

**1996** - Congress bans "drive-thru deliveries," establishing 48-hour rule for hospital discharges of newborns and mothers, after Consumer Watchdog exposes "Eight-hour stay" memo



**1998** - Governor Gray Davis signs toughest HMO patients' rights laws in America after four years of Consumer Watchdog's education and advocacy



**1999** - Corrupt insurance commissioner forced to resign



**2001** - \$10 billion California utility bailout is blocked



**2005** - Accountability road show takes down Arnold Schwarzenegger



# CONSUMER WATCHDOG HAS SAVED POLICYHOLDERS \$2.2 BILLION SINCE 2002

**W**hen most insurance companies want to raise rates in California, they have to ask permission. Every year, auto, home and business insurance companies file requests for hundreds of rate changes at the Department of Insurance that could mean billions of dollars in premium increases for California insurance policyholders.

Legions of insurance industry lawyers, actuaries and lobbyists are there to press their case and protect their profits.

Who's across the table from the insurance industry fighting to make sure you aren't overcharged? Consumer Watchdog Litigation Director Pam Pressley and her team.

You may never know your insurance company proposed a huge increase, because Consumer Watchdog challenges and blocks excessive rates before consumers even see a bill.

**From 2002 to 2012, Consumer Watchdog's challenges to proposed rate hikes have saved insurance policyholders \$2.2 billion.**

Challenging a rate hike isn't simple. It requires actuaries to check an insurance company's math, economists to examine claims about a company's profits, and lawyers to square off against the army of attorneys the insurance industry brings to the table. In California, any member of the public may challenge an insurance company's rates for being too high. Experts for the public must be paid by the insurance companies that are denied rate hikes when they are "excessive."

Without funding for participation, groups like Consumer Watchdog couldn't afford the time, or hire the experts necessary, to fight for lower insurance rates.

The cost of the group's lawyers, experts and actuaries who stopped \$2.2 billion in proposed rate hikes since 2002? \$5.7 million, paid for by the insurance companies that would have raised rates by billions of dollars otherwise. That means for every 25 cents insurance companies paid Consumer Watchdog for its challenges on behalf of the public, consumers saved \$100 on their insurance premiums.

How does Consumer Watchdog turn a huge proposed insurance rate hike into a rate decrease?

Allstate Insurance asked the California Department of Insurance for a 12.2 percent rate increase for 1.1 million homeowners in July 2008. Allstate requested the increase despite years in which the company paid out less than half of what its customers were paying in premiums to cover claims. Consumer Watchdog used California's consumer intervention law to join in challenging the rate increase. The result of that challenge: Instead of a 12.2 percent rate increase, Allstate customers got a 28.5 percent rate reduction — for \$340 million in annual savings for affected homeowners.

Public interest experts like Consumer Watchdog make insurance companies think twice about raising rates in the first place.

**“The public's ability to challenge rate increases has helped make California's auto insurance market the fourth most competitive in the country.”**

Pam Pressley  
Consumer Watchdog Litigation Director

Total Medical Malpractice Insurance Savings  
**\$71.5 Million**

Total Homeowners' Savings  
**\$921 Million**

Total Auto Savings  
**\$1.247 Billion**

Total Combined Savings  
**\$2.24 Billion**

Amount insurance companies had to pay Consumer Watchdog to reimburse experts, including actuaries, lawyers, and geologists that stopped these rate hikes: \$5.7 Million

**SCALE KEY:**  
\$10 Million = ■

Photos Courtesy of Consumer Watchdog

**2006** - Real patients in D.C. block junk insurance bill



**1988 to 2008** - Drivers save \$62 billion on auto insurance



**2010** - Health insurers can't cancel policies when people get sick for innocent omissions on enrollment forms; Federal health reform ends pre-existing condition limits



**2012** - Health insurance rate regulation qualifies for the 2014 California ballot; Consumer Watchdog Campaign leads the charge



**2012** - EPA audit overturns Hyundai's false miles per gallon claims



# WE GOT YOUR BACK

**C**onsumer Watchdog works to stop corporate consolidations and corrupt practices that it believes will reduce competition and raise prices for consumers. Consumer Watchdog's goal is to advocate for consumer rights and save them money.

## Antitrust: Too Big To Compete

### TWO GAS REFINERS CONTROLLING 50% OF THE GASOLINE

Gas prices hit \$5 a gallon in the fall of 2012 and California drivers are still feeling pain at the pump.

What will happen if Tesoro wins its bid to take over BP and the oil giant's ARCO brand of gas stations? Two refiners, Chevron and Tesoro, will control more than 50 percent of the refining capacity in the state. That's why Consumer Watchdog has written to California

Attorney General Kamala Harris to block the deal and prevent further market consolidation that will lead to even more exorbitant prices at the pump.



### GOOGLE TAKES OVER WORLD'S BOOKS

When Google decided to scan the world's books without permission, then bargained for exclusive rights to those books without an agreement from their owners, Consumer Watchdog stepped in to challenge the deal in federal court. Federal Judge Denny Chin agreed with Consumer Watchdog and blocked the proposed settlement, finding it would have given the Internet search giant a de facto monopoly over unclaimed books online.



### LIMITING CELL HELL

Consumer Watchdog proved instrumental in stopping the proposed AT&T/T-Mobile merger earlier this year. AT&T was making the very same promises of better service and cheaper prices that the company made when it merged with Cingular back in 2004. Consumer Watchdog fought to compensate consumers overcharged by the Cingular merger, and pointed out the same false promises in 2012 in letters to the U.S. Department of Justice, the Federal Communications Commission and the California Public Utilities Commission. The Justice Department subsequently joined the opposition to the deal and it was scuttled.



### UNFAIR BUSINESS PRACTICES

When DirecTV began charging its customers substantially for terminating their satellite service, even when their equipment repeatedly failed or they moved to a new area without service from DirecTV, Consumer Watchdog intervened on millions of customers' behalf. These charges ranged up to \$480 and would often be taken directly out of the consumer's bank account or charged to their credit card without permission. In September 2008, Consumer Watchdog filed a lawsuit against DirecTV and is working to get consumers their money back.



### FACEBOOK CREDITS

Facebook Credits were a form of money used by members in games on the social network. Consumer Watchdog filed an antitrust complaint with the Federal Trade Commission after the company changed the rules to require the use of Credits, set prices for games and exclude competitors. In response to Consumer Watchdog's complaint, Facebook eliminated the price-fixing terms. Credits are now being phased out in the face of legal, regulatory and public scrutiny.



# GIVING CONSUMERS A VOICE

Consumer Watchdog empowers woman to take charge of her health insurance

Photo Courtesy of Consumer Watchdog

**W**hen Laurel Kaufer delivered boxes containing 250,000 signatures to the offices of the Los Angeles County Registrar of Voters, it was a proud day.

Kaufer had been exposing health insurance company premium price gouging with Consumer Watchdog for years. She had testified in the legislature for relief, but the insurance industry blocked the reform legislation. In May of 2012, she delivered the signatures that will finally let voters decide whether health insurance companies, like auto and home insurance companies, should have to justify their rate hikes and get permission for rate changes.

Consumer Watchdog Campaign, Consumer Watchdog's advocacy affiliate, led the signature collection drive and officially qualified the ballot measure for the next general election. For the last decade, Consumer Watchdog has educated the public about the need for health insurance rate reform.

“

**If I have to get pre-approval from my insurance company every time I want my health care paid for, shouldn't they have to get approval when they want me to pay more?**

Laurel Kaufer

”

“As a self-employed, single mom, I've struggled for more than a decade to balance the cost of health care with the need to seek medical help for my family,” Kaufer says. “My premium has quadrupled during the last decade, and the price of my health insurance recently went up by another 16 percent to \$846 a month. Add in my sons' coverage and I pay \$1,253 every month.”

“If I have to get pre-approval from my insurance company every time I want my health care paid for, shouldn't they have to get approval when they want me to pay more?”

The initiative will be on the ballot in 2014. Consumer Watchdog will continue to educate the public about the plight of patients like Laurel, who face multiple premium and deductible increases every year, and sometimes multiple times a year.

Consumer Watchdog's litigation team has also taken on the health insurance companies in a few high profile cases. Consumer Watchdog recently settled a class action lawsuit against Blue Cross for illegally



Laurel Kaufer delivering petitions to the Los Angeles County Registrar of Voters with Consumer Watchdog President Jamie Court and founder Harvey Rosenfield for a 2014 ballot measure to force health insurance companies to get approval before raising rates.

closing insurance policies and using big rate hikes to force patients into lower-benefit and higher-deductible health coverage — known as the “death spiral.” Blue Cross policyholders won the right to either stay in their policies and have their rates protected or switch to other policies with comparable benefits.

Currently, Consumer Watchdog's litigation team is prosecuting Blue Shield for the same “death spiral” practice. The case is preparing for trial. A new lawsuit challenges Blue Cross's practice of changing the “annual” deductibles and benefits provided under policies on a monthly basis.

“With federal health reform here to stay and all Americans soon having to buy health insurance or face tax fines, health insurance companies should not be able to change their benefits every 30 days,” says Jerry Flanagan, the staff attorney on the case.

## HMO REFORM

Since 1994, Consumer Watchdog has provided an effective voice for patients so that they receive higher quality medical care and are not overcharged. Some of its success stories over the years include getting Congress to ban “drive-thru deliveries,” opening eyes to the high cost of prescription drugs in the United States, and helping to guarantee strong HMO patient rights.

Through its main website, ConsumerWatchdog.org, and new Apple mobile app, the organization works to keep consumers in-the-know about current HMO reform battles it is taking on. Consumers can also send in a complaint and read about other consumers' complaints, sign up for updates and learn how to take action.

And through another website, JustifyRates.org, Consumer Watchdog Campaign is organizing to pass a reform initiative on the 2014 ballot to make insurance prices more transparent and reasonable.

# STALKING DIGITAL STALKERS

How Consumer Watchdog is fighting to protect your online privacy

Photo Courtesy of Consumer Watchdog

**S**uppose someone followed you around on your next trip to the store and made a note of every item you looked at. In the bricks and mortar world, it would be stalking. On the Internet, it's business as usual. Each time you visit a website or update your status, the information you leave behind — your digital footprint — is being collected by large Internet companies like Google and Facebook.

That's why Consumer Watchdog stalked the digital stalkers — to dramatize how Internet companies build digital dossiers about us and draw attention to the need to give people a way to control what data about them is gathered. The group had been pushing for Google CEO Eric Schmidt to testify before Congress for two years. When he finally appeared before a Senate committee, Consumer Watchdog sent a team of mimes to Washington D.C. to "track" the Google executives and Senate staffers around the Hart Office Building.



Consumer Watchdog Privacy Director John M. Simpson joins a troupe of mimes brought to Capitol Hill to track Google executive Eric Schmidt as he testified before Congress and show what online stalking looks like in real life.

**“**When Internet companies follow your every move online, it's stalking, but it's their business model. Americans need a strong 'Do Not Track' rule to stop being followed around the web.**”**

John M. Simpson  
Consumer Watchdog Privacy Project Director

**”**

“Tracking people in the real world is stalking. It's creepy,” says John M. Simpson, Consumer Watchdog Privacy Project Director. “When Google and other Internet companies follow your every move online, it's just as creepy, but it's their business model. That's why Americans need a strong 'Do Not Track' rule to stop being followed around the web.”

Despite companies repeatedly getting caught taking liberties with our data, few people really know the extent to which we are tracked online and how our information is used. Consumer Watchdog is fighting to make sure that people have control of their personal data and can surf anonymously.

In October of 2008, Consumer Watchdog launched a precedent-setting campaign aimed at forcing Google to honor people's privacy. Since then, Consumer Watchdog's Privacy Project has broadened its focus, taking aim at companies known for violating online users' privacy. Simpson says that some companies use online tracking to target advertising, while others go much farther. “Faceless

data brokers are selling our information, which can be used to put together digital dossiers that determine more and more about our lives — credit ratings, insurance rates and even the prices you pay might be different than the prices I pay and that's a problem,” Simpson says.

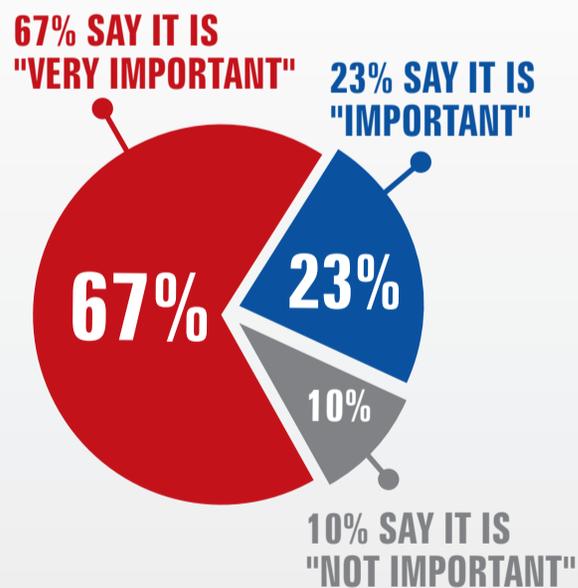
Travel site Orbitz, for example, was found to be showing high-priced hotels more prominently in search results for Mac users based on data that showed they are more likely to spend more money on hotels than PC users.

“Facebook is problematic too because many of its settings are set up to maximize the sharing of data by default,” Simpson says. “Unsuspecting users frequently share more information than they intend for the world to see.”

Google was recently fined \$22.5 million by the U.S. Federal Trade Commission after the company was caught hacking past privacy settings on Apple's Safari web browser and installing tracking cookies. Consumer Watchdog filed the complaint that led to the FTC issuing the largest fine in its history. Still, Simpson and Consumer Watchdog filed a case in federal court to force the company to admit responsibility and require it to destroy the data it collected. The judge deferred to the FTC. “Google executives bought their way out of trouble with what, for a multi-billion dollar company, is pocket change and then denied doing anything wrong,” says Simpson. “Google and other companies continue to be disingenuous about their practices and ride roughshod over the privacy rights of consumers. That's why we'll continue the fight.”

## HOW IMPORTANT IS ONLINE PRIVACY TO YOU?

Consumer Watchdog asked your opinion on online privacy:



# THE NUMBERS DON'T ADD UP

## CONSUMER WATCHDOG HELPS MAN GO AFTER HYUNDAI FOR FALSE MPG CLAIMS

**W**hen Louis Bird's job moved from Sacramento to Marysville, he knew he had to purchase another vehicle to make the longer daily commute. Miles per gallon was his most important selling point, and he chose the 2011 Hyundai Elantra, which stood out in terms of fuel efficiency and value with its promise of 40 MPG. Interested in finding out just how much he would be saving, Bird began tracking his mileage. He quickly discovered that the Elantra did not live up to Hyundai's promises. When things didn't add up, he went back to the dealer hoping to find an explanation.

"The sticker on the car said it would get 40 miles per gallon on the highway," Bird recalls. "I thought if I drive conservatively, I would probably get close to that. But my highway mileage was more like 29 to 30 miles per gallon. When I took

it back to the dealer, they made some adjustments, but nothing changed." Adding insult to injury, Bird says his other vehicle — a large truck — would get nearly the same highway mileage the Elantra was getting overall.

The U.S. Environmental Protection Agency had never tested the Elantra's MPG claims. In fact, the EPA doesn't test most vehicles. It allows the auto companies to do the testing themselves.

Frustrated, Bird says he even considered selling the vehicle, but ultimately did not want to take the financial loss.

Consumer Watchdog investigated Bird's complaint, and similar complaints it had received from other drivers across the country. It wrote Hyundai's CEO and the head of the EPA to retest the vehicles, and filed suit against Hyundai on behalf of Louis Bird and other Hyundai vehicle owners in July 2012.

In November, the EPA released its audit, finding that Hyundai and Kia had overstated the MPG of the Elantra and other Hyundai and Kia models. After more than a year of denying the charges, Hyundai was forced to admit to errors in its tests and replace its fuel economy window stickers. It is offering drivers a rebate of about \$88 a year.

Louis Bird doesn't think the company is doing enough.

"It was really all just a marketing ploy," Bird says, "and some of the numbers are really arbitrary. But why shouldn't I expect to get the numbers they

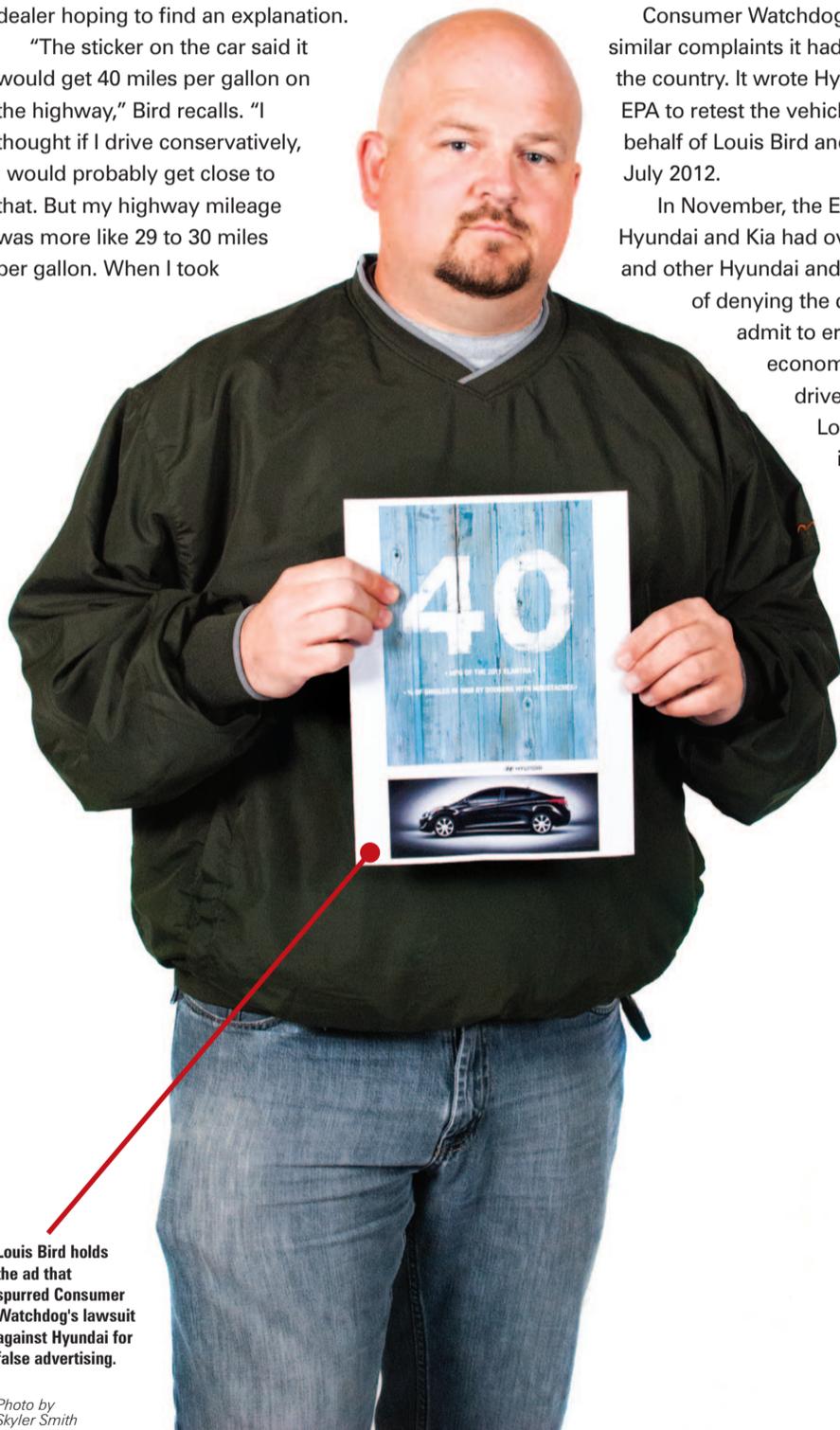
say I should get? If I walk into a supermarket and pay for a pound of grapes, I expect to get a pound of grapes. This is no different."

**“The sticker on the car said it would get 40 miles per gallon on the highway. I thought if I drive conservatively, I would probably get close to that. But my highway mileage was more like 29 to 30 miles per gallon. When I took it back to the dealer, they made some adjustments, but nothing changed.”**

Louis Bird

Bird hopes the court case will force auto manufacturers to be more accurate in their advertising — something he says consumers should expect from any company. He adds, he would happily turn over the keys to Hyundai if they would give him his money back, plus added fuel costs. But in the meantime, he's looking forward to just having his day in court.

"Hyundai should be more responsible and fair to the general public. It's about being ethical and doing the right thing. Hopefully, it will make Hyundai change."



Louis Bird holds the ad that spurred Consumer Watchdog's lawsuit against Hyundai for false advertising.

Photo by Skyler Smith

## CONSUMER WATCHDOG SAVES YOU MONEY

Since it passed in 1988, insurance reform Prop 103 has saved California drivers more than \$62 billion on their auto insurance premiums. The insurance industry has spent over \$120 million on lobbyists, campaign contributions and ballot measures trying to overturn Prop 103 and fighting Consumer Watchdog.

**\$62 BILLION**  
SAVED BY CONSUMER WATCHDOG AND PROP 103

**\$120 MILLION**  
SPENT FIGHTING PROP 103 AND CONSUMER WATCHDOG

Source: Consumer Federation of America and California Secretary of State



Consumer Watchdog staff, supporters and honorees celebrate at the group's annual Rage for Justice Awards Dinner. From left to right: Consumer Watchdog founder Harvey Rosenfield, President Jamie Court, former California Senate President Pro Tempore John Burton, Consumer Advocate Hall of Famers Dana Christensen and Hilda Sarkysian, Phillip Burton Lifetime Legal Achievement Award Winner Joe Cotchett, Phillip Burton Public Service Award Winner Tom Steyer and actor/director Benjamin Bratt.

# HELP CONSUMER WATCHDOG **FIGHT FOR YOU!**

## **DONATE**

Donations help support Consumer Watchdog in its upcoming campaigns to expose rip-offs and injustices, confront the corporations and politicians responsible, and make change.

### **DONATE ONLINE**

Visit [ConsumerWatchdog.org](http://ConsumerWatchdog.org) and click 'Donate' under the 'Get Involved' tab.

### **DONATE BY MAIL**

Send checks made out to Consumer Watchdog to:  
Consumer Watchdog  
2710 Ocean Park Blvd., Suite 112  
Santa Monica, CA 90405

### **DONATE BY PHONE**

Call (310) 392-0522 ext. 326 to donate by phone.

### **BECOME A PART OF THE WATCHDOG TEAM!**

Help Consumer Watchdog be a catalyst for change. Make a tax-deductible donation today.

Join Consumer Watchdog, and your support will help:

- Save you money on your own insurance bills
- Provide patients with an effective voice for affordable, high-quality health care
- Protect your online privacy

You'll get:

- Free alerts about hot consumer issues
- Access to special insider reports and publications
- Peace of mind knowing that Consumer Watchdog has got your back



**EXPOSE. CONFRONT. CHANGE.**

**... JOIN NOW!**

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