

March 14, 2012

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Chairperson Ann Ravel and Commissioners
Fair Political Practices Commission
428 J Street, Suite 800
Sacramento, CA 95814

Re: CONSIDERATION OF PETITION TO AMEND 18705.5
MARCH 15, 2012 -- AGENDA ITEM #43

Dear Chairperson Ravel and Members of the Commission:

Thank you for the opportunity to comment on the proposed amendment to California Code of Regulations, title 2, section 18705.5 as submitted by Ash Pirayou of Rutan and Tucker as identified on the March 15, 2012 meeting agenda for the California Fair Political Practice Commission.

As a Taxpayer, Citizen of the State and involved member in my community. I would like to take this opportunity to address the serious concerns I have with the proposed amendments to California Code of Regulations, title 2, section 18705.5.

California is one of the states in the United States that is most unregulated, has more political corruption, conflict of interests, appearances of impropriety, white collar crime and the only state in country that is run by over one hundred and fifty insurance Joint Power of Authority "JPA" Groups¹. Most of the California JPA groups are formed under various names but the same insurance Brokers Marsh & McLennan, Keenan and Associates, & Driver Alliant administer these JPA'S.

The incestuous relationships between these JPA groups, counties, state agencies, cities, water boards, school districts, County Offices of Education, State Board of Education, California Department of Education and most if not all public agencies and municipalities. The situation with conflict of interests, incestuous relationships, kickbacks are visible at every public agency under one of these JPA'S.

¹ Most states have 3-6 JPA'S

New York Attorney General, filed law suits against the Brokers. The Brokers were charged with price fixing and collusion, steering clients to favored insurers and rig bidding for property casualty insurance coverage and many conflict of interests.

Following New York's lead, Santa Clara County sued several top insurance brokerage firms [Marsh & McLennan, Keenan and Associates, & Driver Alliant], claiming they have duped customers out of millions through secret "kickbacks" and other "lucrative" service deals.

Counsel Loise Renne a former San Francisco city attorney said, ***"It's almost cartel-like."***
"We believe that every public agency in the state of California has been affected."

"The agreements that the PUBLIC AGENCIES get pressured into signing with the JPA's have different names like: "Contingent Income Agreements" "Production Service Agreements" "Volume Based Commission Agreements" "Profit-Sharing Commission Agreements" "Commission Override Agreements" Premium Value Contingent Commission Agreements" "Preferred Agency Agreements" and "Platinum Profit Sharing Agreements."

"These commissions create a blatant **CONFLICT of INTEREST** and a direct **FINANCIAL INTERESTS** for these brokers, JPA'S and preferred law firms. These commission and preferred agreements came along with premium prices in many cases with lower benefits. The insurance companies recoup the kickbacks paid to Marsh & Marsh and/or McLennan, Keenan and Driver by higher insurance prices passed on to the public agencies. Whereby, suppressing competition in the market of insurance.

Why is it necessary for me to mention insurance brokers, the JPA'S they form and the public agencies agreement with these JPA'S and preferred law firms?

Because the state of California is in desperate need of regulations and enforcement. Everyone's hands are in the cookie jar and we the TAXPAYER are paying the bills.

The state is broke, bankrupt and millions of dollars of public funds are being steering into the Brokers, JPA'S, and their preferred law firms for services that are not regulated, churn billable hours, higher premiums, low coverage and low services plans.

Is it, "**Cartek-like?**" absolutely, while the taxpayers end up with the short end of the stick. These Brokers, JPA'S and preferred law firms are churning in the premiums and billable hours at our cost.

This corruption is systemic and is made possible through lack of regulations, lack of compliance with the regulations, lack of enforcement by state regulatory agencies and heavy lobbying by these JPA'S in Sacramento.

While Attorney Ash Pirayon states:

"Our Clients, and others in the regulated community, believe strongly that the burden of

compliance with the existing rule does not outweigh the rule's effectiveness and therefore urge the Commission to adopt the Petition and amend Regulation 18705.5 as outlined in the attached version."

This is flawed reasoning and a very scary proposal. However, not any different than the US banking industry which, is responsible for the collapse of the US dollar and world economy due to lack of regulations. No, regulations, no laws, no compliance with anything. Free reign for the taking and see if you can make my actions stick in court. This the attitude of the Brokers, JPA'S and their preferred law firms, with plenty of tax dollars to burn if challenged in litigation².

City of Orange city attorney David Deberry states:

"The regulations is impractical, unnecessary and would have the practical effect of excluding the mayor in a city which directly elects its mayor from sitting on any boards of local government agency which pays a stipend."

"If the legislature had intended to prohibit council member from voting on such appointments, it would have clearly stated as much. The Regulation creates ambiguity which otherwise does not exist within the Political Reform Act itself."

Whatever happened to the public policy of the State of California that public agencies exist to aid in the conduct of the people's business. The concept of sovereignty stands on its own. Why do these type of improprieties exist and why is the state pandering after those who want to completely water down regulations that would protect the taxpayers of the state. Don't we have enough corruption, illegal kickbacks, conflict of interests, incestuous relationships, and lack of enforcement within these public agencies, brokers, JPA's and their preferred law firms?

SOVEREIGNTY OF THE PEOPLE

"If individuals be not influenced by moral principles; it is in vain to look for public virtue; it is, therefore, the duty of legislators to enforce, both by precept and example, the utility, as well as the necessity of a strict adherence to the rules of distributive justice." - Response to George Washington's First Inaugural Address, May 18, 1789

"...at the Revolution, the sovereignty devolved on the people; and they are truly the sovereigns of the country, but they are sovereigns without subjects...with none to govern but themselves; the citizens of America are equal as fellow citizens, and as joint tenants in the sovereignty."

CHISHOLM v. GEORGIA (US) 2 Dall 419, 454, 1 L Ed 440, 455 @DALL 1793 pp471-472

Sincerely, *Silvia Peters*

² Taxpayers do not have the financial means to go after these violations in court. However every JPA has 10-Million dollars at their disposal to fight any claim filed against.

