

POA REALITY CHECK:

POA favors dual oversight at both the state and federal level and repeal the federal anti-trust exemption and impose even stronger regulation by the more consumer-friendly Federal Trade Commission.

The anti-trust exemption, known as McCarran-Ferguson is a 62-year old exemption that allows thousands of insurance companies to exchange and aggregate data on accidents, injuries, claims, etc... These same insurance companies use this data to set premium rates, refuse coverage, etc...

Most of the mega insurers like State Farm, Allstate and others, don't mind loosing the exemption because they are big enough to use their own proprietary information to set rates and bamboozle regulators. But, these same insurers REALLY oppose state AND federal oversight, especially when part of the oversight would be done by the FTC.

POA's position is largely based on the fact that insurers cherry pick business within states while abandoning policyholders following a natural disaster. Only a heavy federal hand, combined with state oversight would level the playing field.

National Insurance Act reintroduced, opposed by NAMIC

Automotive Body Repair News

WASHINGTON D.C. — The National Insurance Act of 2007, which would establish an optional federal charter (OFC) allowing insurance companies to choose to be regulated by a newly created federal insurance regulatory authority instead of by state insurance departments pursuant to state law, has been reintroduced by Sens. Tim Johnson, D-S.D., and John E. Sununu, R-N.H.

The National Association of Mutual Insurance Companies (NAMIC) has expressed strong opposition to Act, which would bring the federal government into the insurance regulatory system. NAMIC contends the bill would hurt consumers and insurers, especially small- and medium-sized carriers that comprise the bulk of the insurance industry.

"In addition to being completely unnecessary, this bill would likely lead to additional bureaucracy for insurers and, ultimately, higher prices for consumers," says Justin Roth, NAMIC's senior federal affairs director.

According to NAMIC, property/casualty insurers have always been regulated by the states in which they do business, and Congress recognized the importance of maintaining state regulation over the business of insurance by adopting the McCarran-Ferguson Act in 1945, which cemented states' authority. NAMIC maintains that creating federal regulation would only produce another level of bureaucracy for insur-

ers and their policyholders, and that the measure does not have strong support within the insurance industry.

"It makes little sense to introduce legislation that would create a system that the vast majority of companies and agents in the property/casualty world strongly oppose," Roth says.

Specifically, NAMIC opposes an OFC for the following reasons:

- Different states are prone to different natural perils — such as hurricanes, tornadoes and earthquakes — and people in states without them should not have to pay for people in states with them. Moreover, the relevant states understand the risks of these perils far better than the federal government.
- Despite proponents' intentions that it would simply create an alternative regulatory scheme, an OFC would most likely result in dual regulation by the federal and state governments, as evidenced by the banking industry. While banks can choose either a federal or state charter, all banks are subject to some regulation by the FDIC. Congress could well decide, in the context of an OFC, to replace the state

guaranty funds with a federal insurer similar to FDIC.

- It would likely cause increased costs and bureaucracy, since the federal government would regulate most aspects of the insurance business while the states would regulate guaranty funds. Insurers would, therefore, have to comply with the rules of multiple regulators — even if they opt to remain under state authority.

- Small insurers would be at a distinct disadvantage. Large, federally regulated insurers would be allowed to bypass all state regulations such as price controls, consumer protections and market conduct examinations.

"While we acknowledge that the current regulatory system must be reformed, we think that those reforms can take place at the state level rather than creating an additional layer of federal bureaucracy that the insurance industry and their consumers would have to deal with," Roth says. "In fact, 17 states have adopted regulatory reforms in the last four years. Congress can play a meaningful role in helping to modernize insurance regulation while not adding additional regulation at either the state or federal level."



National Insurance Fund Bill on Its Way

By BRENDAN FARRINGTON
Associated Press

TALLAHASSEE, Fla. — A U.S. House bill seeking to stabilize the insurance market in disaster-prone areas would use private investors to build a national backup fund that states could use after the worst catastrophes.

Investors would gamble that a Category 5 hurricane wouldn't make a direct hit on an area like Tampa Bay, or that a major earthquake wouldn't be centered in San Francisco or Los Angeles. They would then get their original investment and interest returned after the contracted period, likely between two and four years.

If however, a disaster is so large that state catastrophe funds and private insurance can't cover losses, investors could lose some or all of their investment, depending on how much of the federal fund is depleted.

That would only happen if a so-called 100- to 250-year event — such as the worst hurricane, earthquake or tornado that could be expected over that period — struck a major population center, according to congressional staffers working on the bill.

But because insurers have to plan for the possibility of such an event by purchasing high-priced rein-

surance, premiums are high in places like Florida, if policies are available at all.

The national fund would only be available to states that already have state-run catastrophe funds or insurers of last resort. Right now, 15 states would qualify, said Rep. Ron Klein, who is preparing the bill along with Rep. Tim Mahoney. Both are Democrats from Palm Beach County who serve on the House Financial Services Committee.

"The strategy all along has been to create a very innovative new approach which makes sense nationally," Klein said.

As part of the program, the federal government would provide loans to state insurance funds to make sure they could handle claims.

Finance Committee Chairman Barney Frank, D-Mass., asked Mahoney and Klein to prepare the bill and supports the idea. House Speaker Nancy Pelosi has also expressed support. Rep. Ginny Brown-Waite, R-Fla., has also worked on the bill, which should be filed within the next three weeks.

"I'm very excited about it, and I think the fact that both Chairman Frank and the speaker are supportive of this is a great thing," Mahoney said. "I'm looking forward to getting this bill into committee and holding hearings and getting something passed. It's very, very important."

A provision of the bill will require that participating

states have programs to reduce risks, such as stronger building codes or insurance discounts to homeowners that fortify their homes.

Members of Florida's congressional delegation have pushed for a national insurance fund since Hurricane Andrew struck south of Miami in 1992. But the idea has never succeeded, largely because the original concept would have required policyholders around the nation to pay into the fund.

"Traditionally, if you took all 50 states and added a surcharge to everybody's policies, you would never get it through Congress," Klein said.

President Bush's administration has opposed the idea of a national catastrophe fund. Florida's senators, Democrat Bill Nelson and Republican Mel Martinez, support the idea, but it's seen as a tougher sell in the Senate because states like North Dakota that may not have an interest in the proposal have just as many votes as Florida or California.

Klein and Mahoney point out, however, that states can stay out of the fund if they want.

WHAT:

A private investment fund that is a back-up in case of major disasters.

As part of the program, the federal government would provide loans to state insurance funds to make sure they could handle claims, strengthen building codes and/or provide insurance discounts for those who fortify their properties.

WHO:

Key players include: (please call their offices)

Rep. Barney Frank (D-MA), Finance Committee Chair, (202) 225-5931

Rep. Ron Klein (D-FL), (202) 225-3026

Rep. Tim Mahoney (D-FL), (202) 225-5792

Rep. Ginny Brown-Waite (R-FL), (202) 225-1002

House Speaker, Nancy Pelosi (D-CA), (202) 225-4965

Senator, Bill Nelson (D-FL), (202) 224-5274

Senator, Mel Martinez (R-FL), (202) 224-3041

WHERE:

Currently, 15 states qualify and lower-risk states can opt out of the plan if they so desire.