

INSURERS ALLOWED TO TAP INTO TARP (BAIL-OUT) FUNDS

Whoever said “Crime doesn’t pay” wasn’t familiar with the insurance business.

There’s no dispute that most insurance companies lowball legitimate claims if they can’t figure out a way to outright deny them. TARP (bail out funds meant to help ease credit problems caused by the banking crisis) has enabled the venomous behavior exhibited by insurers to no longer be restricted to their own policyholders — it’s now extended to the American taxpayer.

As unbelievable as this may sound, the US Treasury has decided that insurers too can get their paws around some of the bail out dough.

The litmus test applied to insurers is one that many pass — they must own a bank holding company. State Farm, Allstate and many others have banking arms.

Already, Genworth, Hartford, Lincoln Financial and about nine others have applied for the funds. Aegon, the Hague-based insurer that has already received €3 billion from the Dutch government, is investigating acquiring a thrift in the US to make it eligible for Tarp funds.

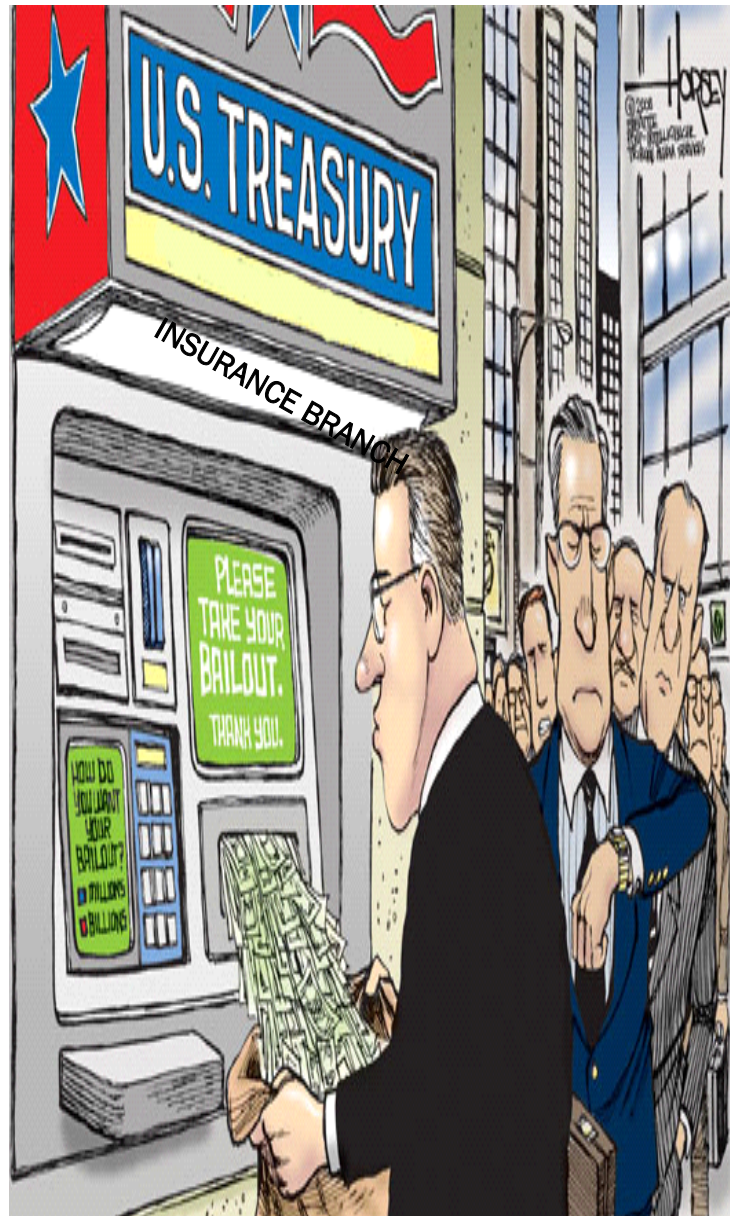
This comes on the heels of some of the greatest profits reported by the industry.

Insurers are supposed to be financial stewards of premiums. They take in the premiums paid by policyholders, reserve what they believe will be enough to pay claims (even if they don’t pay legitimate claims), pay administrative and operating costs, throw in fat cat bonuses and invest the rest. Their investments, however, grew riskier and riskier to satisfy their insatiable thirst for the fast buck. Using leverage, they added mortgage-backed securities and other toxic assets to their core holdings. South it went.

Now, the search for bank holding companies is on and insurers are gobbling them up at a furious rate in order to qualify for the funds.

A number of nonprofit organizations, including POA, are asking the Treasury Department and legislators to deny any taxpayer-funded bailouts to companies who’ve spent money on anti-consumer lobbying initiatives such as:

- ◆ Opposing legislation that would allow bankruptcy judges to modify mortgage loan terms,
- ◆ Passing off to FEMA (flood insurance program) the payment of claims covered by the insurers’ homeowner policies;



- ◆ Opposing a Credit Cardholder's Bill of Rights,
- ◆ Hiding mandatory binding arbitration clauses,
- ◆ Cherry picking: Refusing to write homeowners insurance in specified regions and/or states but continuing to write auto insurance in those very redlined areas.

We see no reason why the public must pay twice — once for the bailout itself and again when taxpayers are victimized by the resulting anti-consumer laws and regulations.

It is our hope that the Treasury will use the carrot along with the stick. The stick sans carrot is okay too.