

## Bill Would Repeal Insurers' Antitrust Shield

BY ARTHUR D. POSTAL, National Underwriter News

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WASHINGTON --Two Democrats in the House introduced legislation today that would repeal the antitrust exemption afforded the insurance industry by the McCarran-Ferguson Act, but would retain the authority of states to regulate insurance.

The Insurance Industry Competition Act would repeal the exemption and give the Department of Justice and the Federal Trade Commission the authority to apply the antitrust laws to anticompetitive behavior by insurance companies.

It was introduced by Rep. Gene Taylor, D-Miss., and Peter DeFazio D-Ore.

They had introduced such legislation in earlier Congresses, and said they count on the controversy over bonuses paid to American International Group employees to help advance their measure.

"Shouldn't the \$170 billion bailout of AIG be the third and final strike to the 'business as usual' attitude toward the insurance industry?" they asked.

"We cannot tolerate these rampant abuses of the system at a massive cost to tax payers," Rep. DeFazio said. Rep. Taylor has been criticizing the insurance industry and proposing legislation that would change its regulation since Hurricane Katrina damaged his Bay St. Louis, Miss., home in 2005 and he filed suit against his insurer, State Farm, for what he thought was inadequate settlement of his claim, but later reached a settlement

with State Farm. He also recently introduced legislation that would add a requirement for the National Flood Insurance Program to offer wind damage coverage, a program that the insurance industry universally opposes.

"This legislation is particularly important in light of the abuses by AIG, operating as if they were above the law," Rep. Taylor and Rep. DeFazio said.

In fact, they charged, the current insurance exemption from antitrust laws gave AIG a free pass to become "too big to fail," and "now the U.S. taxpayers are on the hook to bail them out or risk even further turmoil in an already fragile economy.

"This legislation would close that exemption," they said in a statement.

"The fact that the insurance industry is exempt from federal anti-trust laws is outra-

geous," they added. "AIG was gambling with people's life savings and lost it all to speculative and shady transactions and contributed to the current crisis. We must insure this never happens again," he added.

"Why is anyone surprised?" Rep. Taylor said. "Insurance companies believe that they are above the law," he charged.

"When it comes to the federal laws, they are," he said. "After Hurricane Katrina, insurance companies took advantage of the lack of federal oversight to bill the National Flood Insurance Program for wind damage. Taxpayers also paid for FEMA trailers, home repair grants, subsidized loans, and tax deductions for property damage that insurance should have covered," he said.

### WHAT'S THE CATCH?

### IF ALLSTATE WANTS FEDERAL REGULATION, THERE'S A REASON.

Tom Wilson, Allstate's Chief Executive Officer, recently told the U.S. Chamber of Commerce he favored federal regulation of the insurance industry, as opposed to the industry's current system of state regulatory control.

What he wants is to be lumped into a pool of federal regulation along with other financial firms and ideally, the regulation and reforms would be staged.

Wilson suggested that Congress name a systemic risk regulator, but then wait to give it real responsibilities

until lawmakers streamline the other financial regulators.

As with any legislation, the devil's in the details. But, this should be a clue that insurers are going to backdoor any federal regulatory control and lawmakers should slam any such door shut by including specific language in contemplated legislation.