



Breaking news — April 22, 2009

Legislation to Federalize Insurance Regulation Would Free Insurers From Consumer Protections in 50 States

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State Insurance Regulation Kept Insurance Industry Safe While Federal Regulators Failed to Protect Financial Markets, Says Consumer Watchdog

Washington, D.C. -- A federal proposal to allow insurance companies to choose their regulator would free insurance companies from the local oversight of 50 states and the District of Columbia and roll back strong state-based consumer protections, said the nonprofit, nonpartisan Consumer Watchdog.

HR1880 by Rep. Melissa Bean (D-IL), would create a federal insurance regulator and allow insurance companies to escape the thousands of provisions of insurance laws and rules in 51 jurisdictions that work to collectively maintain the insurance industry's solvency and protect policyholders.

Rep. Bean is one of the top recipients of insurance industry campaign contributions in the current Congress and has received \$358,603 in industry donations during the past two election cycles, according to data obtained from the Center for Responsive Politics.

"The insurance industry's effort to replace state oversight with federal regulation is a bait-and-switch to weaken regulation under the guise of embracing a new regulator. The plan should be rejected out of hand in the wake of the federal financial regulatory failures," said Carmen Balber with Consumer Watchdog. "Allowing insurers to pick their regulator, just like AIG did, will negate hard-won consumer rights laws and destroy state-based oversight. That web of state insurance laws, which the insurance industry has long decried as complicated and anti-competitive, withstood the test of fire by keeping insurance products and companies stable throughout this financial crisis."

The proposal would override state consumer protections including prohibitions on discriminatory underwriting factors, rate protections for good drivers, or a low-cost auto insurance program for low-income drivers. In California, where voters enacted the nation's toughest system of insurance regulation with Proposition 103, consumers are protected from unfair or excessive insurance rates, illegal surcharges and other abusive and discriminatory practices. For example, a federally regulated insurance company would be exempted from California rate regulations that saved homeowners and motorists with Allstate insurance \$500 million in 2008.

Read Consumer Watchdog's [letter to Senator Christopher Dodd](#) outlining insurance regulation in California.

And read our [letter to Treasury Secretary Timothy Geithner](#).

“Insurance companies are not seeking greater federal regulation. They intend to escape it,” said Balber.