



Consumer Federation of America



CENTER FOR ECONOMIC JUSTICE

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CONSUMER GROUPS APPLAUD INSURANCE REGULATORS' DECISION TO KEEP LIFE INSURERS FINANCIALLY STRONG

The Consumer Federation of America (CFA) and the Center for Economic Justice (CEJ) today praised state insurance commissioners for rejecting proposals from the life insurance industry to reduce the amount of money they must hold to ensure that they can pay claims and benefits to consumers. The National Association of Insurance Commissioners (NAIC) voted this afternoon to reject proposals from the life insurance industry for “capital and surplus relief,” a euphemism for reducing the requirements for the amount of capital and reserves that life insurers must hold for payment of claims and benefits to policyholders.

“State insurance regulators today stepped back from the precipice and acknowledged that there is no emergency requiring reductions in the capital and reserves life insurers must hold to meet their promises to policyholders,” said J. Robert Hunter, Director of Insurance for CFA and former Texas Insurance Commissioner.

“State regulators today showed they can be independent of the industry they regulate. This is a good day for state insurance regulation,” said Birny Birnbaum, Executive Director of CEJ. “Regulators realized that it made no sense to rush to weaken consumer protections at the very time – a crisis in the economy and financial markets – when consumers need assurance that their life insurers are financially strong.”

The consumer groups noted that the regulators will continue to consider the industry proposals over the next few months according to the normal, not “emergency,” procedures at the NAIC.

“We expect regulators to now take the time to carefully analyze the impact of specific proposals on the financial condition of the life insurance industry as a whole and on individual insurers before embarking on another precipitous action,” said Hunter. “We also expect them to make a much better effort to be transparent regarding what proposals they are considering and to take into consideration the public input that they receive,” he said.

The groups singled out the insurance commissioners from Maine (Mila Kofman), New York (Eric Dinallo), Wisconsin (Sean Dilweg), and Virginia (Al Gross) for standing strong for consumers.

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CFA is a non-profit association of 300 organizations that, since 1968, has sought to advance the consumer interest through research, advocacy and education.

CEJ is a non-profit that advocates on behalf of low-income and minority consumers on insurance, credit and utility matters.