



Consumer Federation of America

1620 I Street, N.W., Suite 200 * Washington, DC 20006

July 8, 2008

Representative Paul Kanjorski
Chairman, Subcommittee on Capital Markets,
Insurance and Government Sponsored Enterprises
Committee on Financial Services
Washington, DC 20515

Representative Deborah Pryce
Ranking Member, Subcommittee on
Capital Markets, Insurance and
Government Sponsored Enterprises
Committee on Financial Services
Washington, DC 20515

Dear Representatives Kanjorski and Pryce:

We write to express the Consumer Federation of America's (CFA) strong support for the goals of H.R. 5840, the Insurance Information Act of 2008. At a time when losses due to natural catastrophes are increasing, international terrorism is an ever-present threat, and consumers are coping with a diverse array of insurance problems, it is essential that the federal government has an office with insurance expertise to advise the Administration and Congress on pressing domestic and international insurance matters. In fact, from the early 1970s to the early 1980s, the Federal Insurance Administration had a similar mandate.

H.R. 5840 establishes an Office of Insurance Information (OII) within the Department of Treasury that, among other responsibilities, is required to collect and distribute insurance information to the President and Congress, coordinate and establish federal policy on international insurance matters and determine whether state insurance regulation conflicts with federal international insurance policy as expressed in international agreements. **Significantly, H.R. 5840 takes steps to ensure that the OII focuses on insurance matters that are important to consumers.** For example, the legislation requires that the OII advise the Secretary of the Treasury on insurance issues that affect consumers, as well as insurers. The bill also creates an advisory committee to the Secretary that includes the Federal Trade Commission (FTC). FTC participation on the advisory committee is essential because of the agency's expertise regarding unfair and deceptive acts and practices, and antitrust activities—two problems that have frequently harmed insurance consumers.

It would only take a brief look at the Financial Services Committee's hearing record or at major media reports in recent years to identify a wide variety insurance concerns that would be worthy of investigation by the OII, including: the declining value of home and auto insurance policies at a time when the property/casualty insurance industry is experiencing unprecedented profits; continued use of unfair claims settlement practices by insurers in areas devastated by natural disasters; unjust insurer withdrawals and home insurance rate increases in coastal areas; the role that credit scoring plays in unjustifiably driving up the cost of insurance for low-income and minority insurance consumers; and the sale of low-value/ high-cost insurance, like title insurance, by third-party entities.

CFA supports the creation of the OII because there is a strong need for a federal office to investigate and advise on insurance matters that adversely affect consumers, as well as issues that would have a serious effect on the economy. **Fortunately, there is not a single provision in the bill that would allow the OII to be used for the establishment of an Optional Federal Charter system of insurance regulation. By encouraging state and federal regulators to compete to reduce oversight of the insurance industry, such a system would lead inevitably to a weakening of the relatively few strong consumer protections that still exist at the state level.**

CFA does have two recommendations to improve this legislation. First, the provision of information by insurers to the OII should not be strictly voluntary, as it is currently. The OII simply will not be able to function effectively in advising the President and Congress unless it is able to, when necessary, compel insurers to provide information needed to examine crucial national insurance developments. Secondly, the bill should be clear that the OII will not move to preempt state insurance laws unless they directly conflict with international treaties to which the United States has agreed. As currently written, the bill might allow the OII to attempt to preempt state law merely on the basis of the office's interpretation of low-level agreement on international matters.

Thank you for your efforts to craft legislation that could provide a significant benefit to consumers throughout the country.

Sincerely,



Travis B. Plunkett
Legislative Director



J. Robert Hunter
Director of Insurance

cc: Members of the Committee on Financial Services