



Consumer Federation of America

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**CONSUMER, LABOR, CIVIL RIGHTS AND COMMUNITY GROUPS JOIN
FORCES TO OPPOSE HOUSE INSURANCE DEREGULATION BILL**

*“SMART” Act Would Gut Consumer Protections, Undermine Competition and
Encourage Return of Redlining*

As the House Financial Services Committee prepares to mark-up insurance deregulation legislation later this year, more than three dozen of the nation’s leading consumer, civil rights, community and labor organizations have sharply criticized the proposal for sweeping away important consumer protections.

In an April 18th letter to House Financial Services Committee Chairman Michael G. Oxley and Representative Richard H. Baker, a diverse array of national and state organizations strongly opposed a discussion draft proposed by both legislators late last year, the State Modernization and Regulatory Transparency Act (SMART). These groups included the AFL-CIO, Consumer Federation of America (CFA), Consumers Union and NAACP. (The letter is available at: http://www.consumerfed.org/smart_insurance_letter.pdf.)

“The SMART Act would do a lot of dumb things, like gutting important state consumer protections at the very time that New York Attorney General Spitzer’s investigation has demonstrated the need for greater oversight of the insurance industry,” said J. Robert Hunter, Director of Insurance for CFA. “This would leave millions of consumers vulnerable to price gouging, as well as abusive and discriminatory insurance classification practices,” he said.

"The NAACP is concerned that this proposal will allow a return to the kind of insurance redlining that has severely harmed minority and lower income consumers in past years," said Hilary O. Shelton, Director of the NAACP Washington Bureau. "The poorly-named SMART draft would lift current insurance rate restrictions and ban prohibitions on setting rates by territory that are well established and are proven tools in the fight against discrimination." Shelton said. "States would also be rendered virtually helpless to stop the misuse of irrelevant and discriminatory risk classification information such as credit scores, territorial data and the details of consumers' prior insurance history for pricing purposes, unfairly harming low income and minority communities.

“This proposal’s anti-consumer bias is made clear by the fact that it creates two federal offices to represent insurer interests but does nothing to provide better representation for

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America's beleaguered insurance consumers," said Norma Garcia, Senior Attorney with Consumers Union. "The draft is a veritable 'wish list' of items requested by insurers with absolutely no protections offered for consumers," Garcia said. "It does nothing to increase competition in the insurance industry, such as eliminating the antitrust exemption that insurers enjoy under federal law, or lifting Congressional restrictions that prevent the Federal Trade Commission from investigating deceptive or fraudulent acts by insurers.

"Effective state insurance regulation is critical to business and labor, particularly in workers' compensation," said Richard Trumka, Secretary-Treasurer of the AFL-CIO. "Every business must purchase workers' compensation insurance. Without rate review, businesses are overwhelmed with premium increases every time the insurance underwriting cycle turns to a hard market. And as the AIG investigation shows, without effective regulation, just one insurance company can get away with millions of dollars in state workers' compensation fraud for years on end.

"Overall, this draft is an extraordinary step back for insurance consumers," said Hunter. "Rather than deal with the regulatory failures highlighted in the New York and SEC investigations, it would re-open the door to some of the worst insurance abuses of the past, such as cartel pricing and redlining, and tie the hands of states that attempt to stop these practices.

The labor and public interest organizations opposed to the SMART proposal join the National Conference of Insurance Legislators (NCOIL) and National Association of Insurance Commissioners, which have previously expressed serious concerns about the draft as well.

Other organizations signing the letter to Chairman Oxley and Representative Baker included: ACORN, Alabama Watch, Alaska PIRG, American Council on Consumer Awareness, Inc., Arizona Consumers Council, Arizona PIRG, California Health Advocates, California PIRG, California Reinvestment Coalition, Center for Justice & Democracy, Chicago Consumer Coalition, Citizen Action of New York, Colorado PIRG, Concerned Clergy Coalition of Kansas City (MO), Consumer Action, Consumers for Auto Reliability and Safety, Consumers United (MN), Drum Major Institute (NY), Florida Consumer Action Network, Foundation for Taxpayer and Consumer Rights, Massachusetts Affordable Housing Alliance, Massachusetts Consumers' Coalition, Massachusetts PIRG, National Consumer Law Center, Neighborhood Economic Development Advocacy Project, New Jersey Citizen Action, Oregon Consumer League, People's Medical Society, Public Interest Law Office of Rochester, Pulse-Colorado, Texans for Public Justice, US Action, USPIRG, Virginia Citizens Consumer Council, and West Virginia Citizen Action.