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NEWS

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BIG "I" SAYS INSURANCE ANTITRUST EXEMPTION IMPORTANT TO POLICYHOLDERS

In Senate Judiciary Committee testimony, cites consumer damage from wholesale changes

WASHINGTON, D.C., March 7, 2007—The Independent Insurance Agents & Brokers of America (the Big "I") today urged the Senate Judiciary Committee to retain the McCarran-Ferguson limited antitrust exemption for the business of insurance.

The Big "I", the nation's largest insurance association with 300,000 members, argued that repeal of the exemption could have negative implications for insurance consumers.

"We are concerned that repeal of McCarran-Ferguson's limited federal antitrust exemption for the business of insurance would have a direct negative impact on insurance consumers, independent agents, and small and medium sized insurers in the marketplace," the Big "I" said in testimony. "We believe that the qualified application of federal antitrust law to this sector has served both the market and consumers well, and there is little evidence indicating that wholesale changes to the McCarran-Ferguson antitrust exemption are needed or even desirable. "

The Big "I" argued that McCarran-Ferguson's limited federal antitrust exemption promotes competition in the insurance marketplace and is entirely consistent with the purposes of antitrust law. S. 618, the "Insurance Industry Competition Act," which was introduced recently in the Senate, would abrogate the protections afforded by the McCarran-Ferguson Act. "It would expand federal antitrust regulation in the insurance market at the expense of competition and consumer protections," the association said. "We believe that a complete repeal of the limited McCarran-Ferguson antitrust exemption would introduce uncertainty into the insurance market about the continued use of certain pro-competitive practices, and thus would likely reduce competition, increase the cost of insurance and reduce the availability for some high-risk coverages."

Any review of the McCarran-Ferguson Act should consider the general structure and competitive state of the insurance sector, the Big "I" argued. "The insurance marketplace is highly competitive, and both personal and business consumers are generally well-served as a result. Insurance buyers have an array of options when they buy insurance," the Big "I" said. "We see little need for making wholesale changes to the antitrust system that would severely disrupt this competitive marketplace."

The Big "I" emphasized that the sharing of historical loss data permitted by McCarran-Ferguson increases access to information and allows the accurate pricing of risk. It thereby tends to reduce the price of insurance. "We believe that a total repeal would not only negatively affect the

livelihood of our members, but it also would have a disparate impact on small and medium size insurance companies who would be unable to compete effectively in the marketplace.”

The limited McCarran-Ferguson antitrust exemption has also permitted the development of standardized policy forms under the vigilant eye of state regulators. This has greatly benefited consumers, by permitting “apples to apples” comparison of material terms of coverage. The Big “I” is also concerned that the Insurance Industry Competition Act would lead to unnecessary dual federal and state regulation by granting the Federal Trade Commission (FTC) additional oversight and power to investigate the insurance market.

“While the Big “I” understands the concerns voiced by supporters of this legislation, we believe that a repeal would severely disrupt the insurance marketplace and result in more harm than good,” says Big “I” CEO Robert A. Rusbuldt. “We are concerned that repeal would actually reduce competition, increase costs, and reduce availability, because the threat of antitrust litigation, or an FTC ruling, could end efficiency-enhancing and pro-consumer cooperative activities.”

“There is little reason or evidence that wholesale changes to the existing antitrust system are necessary or desirable,” says Charles E. Symington Jr., Big “I” senior vice president for government affairs and federal relations. “Activities such as standardization of policy forms are absolutely vital for consumers. While the Committee may not intend to harm consumers, the net result is that this legislation could create significant consumer confusion and less consumer choice. We would urge the Senate Judiciary Committee to think very hard and deliberately before taking any action.”

Founded in 1896, IIABA (the Big “I”) is the nation’s oldest and largest national association of independent insurance agents and brokers, representing a network of more than 300,000 agents, brokers and their employees nationally. Its members are businesses that offer customers a choice of policies from a variety of insurance companies. Independent agents and brokers offer all lines of insurance—property, casualty, life, and health—as well as employee benefit plans and retirement products. Web address: www.independentagent.com.

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