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**The following is an open letter to the Congress of the United States & the National Association of Insurance Commissioners, the insurance industry and insurance industry media.**

**From: Clark Sitzes, executive vice president of the PIA Western Alliance**

**This letter has been faxed to the leadership of the U.S. Senate and House as well as to individuals on a number of key congressional committees. It has also been sent to the National Association of Insurance Commissioners and the commissioners of the nine PIA Western Alliance states.**

**We also forwarded this letter to the insurance media.**

The insurance industry is under scrutiny. Insurance company response to Hurricane Katrina upset some powerful members of Congress. Now some of those members are pushing hard to eliminate the McCarran-Ferguson Act that exempts the industry from anti-trust regulations. At the very least they want to change it drastically. Hearings have already begun.

Last year some of the same members of Congress pushing to change McCarran-Ferguson worked to establish an optional federal charter. They were not successful. However, the OFC idea has not died and will come back again during this Congressional session.

Tie all of that to the heels of investigations into bid-rigging and other criminal acts at the nation's largest brokerage firms by now New York State Governor Eliot Spitzer when he was attorney general and you have an industry with a serious image problem.

A couple of weeks ago in a story exclusive to the PIA Western Alliance's on-line newsletter, ***Industry & Association News***, former Safeco CEO Mike McGavick warned that stultifying regulations are coming soon. He said the industry needs to do some serious image retooling.

We agree.

In the McGavick story we quoted PIA Washington/Alaska president Heidi Duncan-Yonker. In her inauguration speech at last year's PIA Washington conference she said as the daughter of an insurance agent she knew at an early age that she was going to be an agent. Heidi equated her father with super heroes. He was the one who came to the rescue when human tragedies like a house fire or a wrecked car wrecked lives.

This is who the individuals in this industry are—we **are** super heroes. Problem solving is what we do. Honoring the contract with our clients is what we do. And I'm not just talking about the independent agent. The insurance companies represented by the PIA and other agent associations solve problems, too. They quickly settle claims and honor agreements. Yes, they are human and yes, they are sometimes flawed but insurance companies like independent agents solve problems—they don't tend to create them.

The push in Congress to regulate the industry from the top down is dangerous and ill-conceived. If federal regulation happens it will take years to iron out the wrinkles between the states that will still have regulatory authority and regulations imposed by an insurance czar. And who loses in this scenario?

The consumer.

This is the point where this analysis that gets complicated. We are an association that represents professional independent insurance agents. Both agents and the carriers they represent are regulated at the state level by insurance departments and by insurance commissioners or administrators. A mutual spirit of cooperation exists among PIA members, their carrier partners and those departments.

However, we now must take these departments and commissioners to task—not as individuals—but as a group. Until testifying at a Senate hearing last week the National Association of Insurance Commissioners (NAIC) was silent. Where were you? Insurance commissioners and administrators the independent insurance agents and the consumers of this nation needed you to step forward and be heard.

And we needed you to be heard loud and clear. Yet you were silent.

When Eliot Spitzer brought down Marsh & McLennan and the other large brokerage firms your response was to give the independent insurance agent or broker onerous and unnecessary new regulations. Few states implemented them the way you wanted but most inflicted some sort of damage on agents and brokers that had committed no crimes.

And then you fell silent. And you remained silent while forces at the national level threaten to turn this industry upside down.

Not only that but Mr. Spitzer and the attorneys general of states around the country have forced brokerage firms and insurance companies to sign agreements that are changing the nation's insurance regulations. And you have said little.

Attorneys general do not have constitutional authority to regulate this industry. Yet they have changed established insurance contracts and done away with contingency commissions. A bit at a time they are starting to re-establish those commissions for the large brokerage firms. What they haven't done is cared at all about what the loss of those commissions is doing to the independent insurance agent that didn't commit crimes in the first place.

Where is the due process? And even more importantly, where are you?

At a time when this industry needs your leadership the most, you are nowhere to be found. Contingency commission aside, you certainly must agree with us that regulation of the insurance industry is best kept at the state and local level. The consumers these companies serve are closer to you than they are to Washington D.C.

Oregon Insurance Administrator Joel Ario addressed last year's PIA Oregon/Idaho convention and put the reason federal regulation is not a good idea into one succinct sentence: "Can you imagine a federal call center?"

It is obvious to everyone that insurance industry reform is a high priority to this session of Congress. To the NAIC we say, that reform now needs to be your high priority. However, that reform needs to come from the bottom up and not from the top down. We need you to come forward with some concrete proposals to streamline this industry and to make company and client connections between one state and another seamless.

We need you, the National Association of Insurance Commissioners to be leaders in this much-needed reform.

At this point we must also point a hard finger at certain members of Congress who because of dealings with one insurance company are now on a vendetta against the entire industry. Do you—and you know who you are—think that the confusion and chaos in the aftermath of Hurricane Katrina was bad? The

changes you seek to make are—at the very least—ill-conceived. You have not thought this through. You are going to create a mess that cannot be easily fixed if you proceed in the direction you are going.

You will be surprised to find that a majority of those working in this industry from the largest brokerage firms to the smallest independent insurance agency want reform. The alteration you propose with this legislation will give the departments of commerce and justice oversight of the insurance industry. It is then up to them to determine how that oversight looks.

I cannot think of a more illogical thing to do than give career bureaucrats responsibility for designing the regulations governing part of that reform or—truthfully—any aspect of this industry. If you insist on change then at least come up with a plan of your own—a plan that includes plenty of input from those most experienced in insurance regulation.

Please pay close attention to what you are doing. In your haste to make changes that you believe will benefit consumers the exact opposite is going to happen. Radical changes to McCarran-Ferguson and the adoption of an optional federal charter will ultimately eliminate many of the smaller insurance companies that provide much needed competition in this industry—competition that provides lower rates and better service for consumers.

Hopefully those entrusted to regulate this industry at the state level and who have failed to step up and be heard at this critical juncture will hear and respond to this message. It is also our hope that Congress will slow down and think through the changes they are considering.

At the end of March PIA members—yet again—will travel to Washington, D.C. and attempt to talk some sense into our elected representatives. We will point out the fact that the insurance industry, much more than the banking system, provides the financial stability required by the American Free Enterprise System for our economy to flourish. Despite what Trent Lott says, the insurance industry is not broken. It is folly to make broad, ill-advised, structural changes to a system that—although in need of modernization—is functioning quite well.

Who will be the losers if we allow the changes outlined in this letter to happen? Consumers who will pay higher rates for insurance—if they can even find insurance—and the independent insurance agents who have wronged no one and who have faithfully served their consumer clients.