

Item #1

Business Week: Insurance

The February 7th issue of Business Week magazine indicates that another area of interest to the consumer may be the target of Federal intervention. The article is entitled, "Insurers Brace for Federal Action," and indicates that the Congress now in session is pondering legislation which would extend the federal arm into an area which previously has been a state-regulated activity.

The proposal comes from consumer advocate Warren Magnuson, who has proposed a "federal insolvency fund" to protect auto and other property-line insurance policyholders against insurance companies which become insolvent and unable to pay legitimate claims. The article expresses alarm that the bill, if passed, will "also introduce federal insurance examiners to this state-regulated activity."

I am not familiar enough with the details of the bill to know whether or not it has merit. However, Business Week states that most of the industry, as well as State Insurance Commissioners, strongly oppose it as unwarranted intervention in another area of State's rights.

But let's look and see what the writer thinks prompted Senator Magnuson to introduce this bill in Congress.

Item #1

The opponents of the bill, according to the article, argue the insolvency problem is a very small one, that it is not widespread and that it can be solved at home in the States without federal action or further erosion of State's rights.

Then why was the bill introduced?

The answer is obvious, I think. The States moved too slowly, the people became impatient and action at some level was demanded. It came -- but at the Federal level.

Only seven states have laws to protect the consumer from insolvent insurers. By the end of 1970, Business Week estimates twenty more will have acted. That is barely half. Again a lack of responsible state action appears to be prompting Federal intervention, Federal intervention which one national insurance official contends will restrict state action in the following areas:

- (a) qualifications for obtaining insurance licenses,
- (b) examination of expense statements, (c) checking of claim reserves, (d) approval of investment portfolios,
- (e) approval of management and (f) limit state involvement to an advisory status.

Item #1

This same executive states his belief, which I share, that only if States lack willpower, money power or legal power should the Federal government take the reins.