

COALITION FOR COMPETITIVE INSURANCE RATES

For Immediate Release

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CCIR Responds to Insurance Rate Hikes/Availability of Insurance in FY2011 Federal Budget

Washington, DC (February 2, 2010) -- The Coalition for Competitive Insurance Rates (CCIR) today responded with disappointment to the FY 2011 budget proposal that would deny a tax deduction for certain reinsurance premiums paid to foreign-based affiliates by domestic insurers.

“The Administration’s proposal to eliminate \$250 million (from terrorism risk financing) is regrettable and disappointing, from the consumer perspective,” said Scott Clark, RIMS secretary and director of RIMS External Affairs Committee and Risk and Benefits Officer for Miami-Dade County School Board. “This decision represents an inherent conflict in policy goals. The proposed budget reduces the government’s commitment to ensure a stable market for terrorism insurance, while restricting one of the primary means the industry uses to manage its terrorism risk through reinsurance.”

Insurance industry experts weighed in on the President’s proposals, stating that this change in tax policy would hurt consumers and small businesses across the board.

“Targeting this vital part of our insurance infrastructure puts at risk insurance support for families, large and small businesses, and farmers that are key to our nation’s economic recovery,” said Brad Kading, president of the Association of Bermuda Insurers and Reinsurers, a CCIR member. “Similar proposals have found strong opposition from consumer groups, public officials, trade experts, business leaders and others. As we’ve said all along, affiliated reinsurance helps manage volatile, catastrophic insurance risk, whether it involves natural disasters like hurricanes or manmade ones like terrorist attacks. Unfortunately, this proposal is inconsistent with the principles of sound insurance risk management.”

This proposal targets the foreign insurers who provide large quantities of insurance and reinsurance coverage to Americans. The US insurance market relies on an international network of reinsurance companies to meet the country’s insurance capital needs. Nearly two-thirds of all reinsurance required to protect US consumers and businesses is provided by non-US reinsurance companies or their affiliates.

“US consumers, whether they know it or not, rely on the international insurance market to protect their homes and businesses,” said Bill Newton, executive director of the Florida Consumer Action Network.

“Given today’s financial and economic conditions, now is certainly not the time to make access to insurance more costly.”

“Including this provision in the FY 2011 budget will not significantly reduce the deficit.” said Eli Lehrer, a senior fellow at the Competitive Enterprise Institute. “We must do all that we can to revitalize the nation’s

economy; foreign-based reinsurers serve as an irreplaceable safety net for the consumers and businesses that are driving that effort.”

The Coalition for Competitive Insurance Rates is made up of business organizations, consumer advocacy groups, insurers and their associations.

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