

Spencer Houldin

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Sent: Tuesday, March 17, 2009 6:40 PM

To: Executive Committee; Govt Affairs Committee

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See the [Congress Daily](#) article below and the bolded quotes from Spencer Houldin. Spencer did an awesome job today representing the Big I.

FINANCE

Panel Mulls Insurance Regulator As AIG Issues Loom

Tuesday, March 17, 2009

by Otto Kreisher

The Senate Banking Committee and expert witnesses today differed sharply on the concept of a federal regulator for the insurance industry, which has been governed by the states for 135 years. Michael McRaith, Illinois director of insurance, who appeared on behalf of the National Association of Insurance Commissioners, and several other industry representatives insisted states should be allowed to retain that authority. Others supported either a strong federal regulator or the "federal charter option," that would allow insurers to choose who governs them. The deeply troubled financial giant American International Group became the 600-pound gorilla in the room, even though it was not represented at a hearing today on the need to modernize regulation of the insurance industry. While Senate Banking Chairman **Christopher Dodd** said AIG's problems were not an indication of systemic industry problems, he said the importance of insurance to individuals and the economy, and changing conditions suggest the need for "a modernized regulatory structure."

Sen. **Jon Tester**, D-Mont., pointed out that without \$170 billion in federal funds, AIG would have failed "and those people would be on the street." Tester said allowing firms like AIG to go broke "makes absolute sense to me." And several of the witnesses challenged the administration's assumption that AIG was "too big to fail," making the federal bailout necessary. "Given that the U.S. has the world's most vibrant and competitive insurance market place, it is unlikely that any one insurer is 'too big to fail,'" said McRaith. If an insurer were to fail, McRaith said, state guaranty funds would protect existing policy holders and pay claims. Although Senate Banking ranking member **Richard Shelby** said the high-risk activities that led to AIG's crisis indicated the need for more federal regulation of insurance companies, industry representatives at the hearing emphasized that AIG's insurance operations remain financially sound, as does the industry as a whole. The insurance industry representatives emphasized that it was AIG's involvement in unregulated financial instruments such as credit default swaps that put it on the verge of collapse.

Committee members from both parties attacked AIG's recent announcement that it had paid \$165 million in bonuses to executives of the sector that had put the conglomerate in need of a \$170 billion federal bailout. Dodd demanded to know what the administration was doing about AIG's "outrageous" behavior and offered any help it might need to recover the taxpayers'

money used for the bonuses. "AIG is a unique institution in the financial services world and an anomaly in the insurance industry," said Spencer Houldin, who represented the Independent Insurance Agents and Brokers of America. Only one-third of AIG's subsidiaries are insurance-related and the crisis was created by the London-based Financial Products division, he noted. It was executives in that division who received the huge bonuses, which AIG's top officials said were required by their contracts and necessary to retain top talent.