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WASHINGTON, DC—U.S. Congressmen Peter DeFazio (D-Ore.), Bobby Jindal (R-La.) and Gene Taylor (D-Miss.) announced today the introduction of legislation to remove the federal antitrust exemption from the insurance industry. Their bill, the Insurance Industry Competition Act, is companion legislation to a bill that was introduced in the Senate today by Senate Judiciary Committee chair Patrick Leahy (D-Vt.), Judiciary Committee Ranking Member Senator Arlen Specter (R-Pa.), Senate Majority Leader Harry Reid (D-NV), and Senator Trent Lott (R-Miss.).

Also cosponsoring the bill are Representatives Charlie Melancon (D-La.), Rodney Alexander (R-La.), and Walter Jones (R-NC).

“The insurance industry, like Major League Baseball, is exempt from federal anti-trust laws,” DeFazio said. “But the insurance industry, unlike Major League Baseball, has a direct impact on the life, health, safety and economic security of all American families. There is no justification for the insurance industry to be exempt from federal anti-trust laws. It is a quirk of history that needs to be corrected.”

“The insurance industry, as the result of an antiquated law, is currently one of the only consumer industries in the nation that is exempt from anti-trust laws,” Jindal said. “This leaves every American at risk to collusion and price fixing by the insurance industry, a practice that is unfair at best, and despicable at worst. So many residents of Louisiana and the Gulf Coast can no longer find insurance coverage, much less affordable coverage, and something must be done to change that. It makes no sense that an industry that is so critical to so many has been given the legal ability to take advantage of its customers. By removing the anti-trust exemption, insurance customers will now not only be protected by their state insurance commissions, but the United States Department of Justice and the Federal Trade Commission as well. This is a huge step towards ensuring that all the residents of Louisiana, the Gulf Coast, and the rest of the country have access to the affordable insurance policies they need.”

The Insurance Industry Competition Act would repeal the exemption and give the Department of Justice and the Federal Trade Commission the authority to apply the antitrust laws to anticompetitive behavior by insurance companies. This Act would not affect the ability of each

state to regulate the business of insurance.

Background:

The McCarran-Ferguson Act, which gives states the authority to regulate the “business of insurance,” also exempts the business of insurance from the federal antitrust laws to limit competition. The only other industry exempt from antitrust laws is Major League Baseball. If there ever was, there is no longer any justification to exempt the insurance industry from federal government oversight. Such oversight could ensure that the industry is not engaging in anticompetitive conduct like price fixing, agreements not to pay, and divvying up geographical areas.

This issue is particularly timely given the insurance issues raised in the wake of Hurricanes Katrina and Rita. Insurers have denied claims and delayed payouts to residents along the Gulf Coast instead of honoring their contractual commitments to their customers, thereby contributing to the rebuilding and rejuvenation of the area.