

COALITION FOR COMPETITIVE INSURANCE RATES

For Immediate Release

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Respected Economists Warn That New Insurance Tax Will Have Devastating Effect on Consumers

Gulf Coast, California, and other Disaster-Prone Areas Will Face Drastic Insurance Price Hikes if Congress Passes House Bill

Washington, DC (July 12, 2010) -- [The Coalition for Competitive Insurance Rates \(CCIR\)](#) produced new data confirming fears that the nation's consumers can expect to pay billions of dollars in higher insurance premiums if Congress passes legislation that increases taxes on foreign-based insurance companies. [In an update to a study published in 2009](#), economic researchers at The Brattle Group have determined that HR 3424, introduced by Rep. Richard Neal (D-MA) would cost consumers even more than initially feared.

According to the study authored by Dr. J. David Cummins, the Joseph E. Boettner Professor of Risk Management, Insurance and Financial Institutions at the Fox School of Business at Temple University and the Harry J. Loman Professor Emeritus of Insurance and Risk Management at the Wharton School at the University of Pennsylvania, and The Brattle Group's Dr. Michael Cragg and Dr. Bin Zhou, HR 3424 would:

- Cost consumers an additional \$11 - \$13 billion per year to maintain their current insurance coverage.
- Significantly weaken competition and reduce reinsurance capacity in the US by 20 percent.
- Reduce supply and increase prices disproportionately on those states most vulnerable to catastrophic losses, such as California, Florida, New York and Texas.
- Increase home insurance costs for Floridians alone by \$266 million, up from the 2009 Brattle Group analysis showing a \$66 million cost increase for Florida's consumers.
- Raise home insurance costs in Texas by \$112 million and by \$28 million in Louisiana.
- Make it more difficult for businesses to obtain insurance.

Disaster-prone states rely heavily on the backing of foreign-based reinsurers to protect them. For example, more than 60% of the claims from Hurricanes Katrina, Rita and Wilma came from foreign insurers and reinsurers. The reductions in capacity and increases in cost predicted by the Brattle Group study could leave these areas even more vulnerable than they are now.

"Adoption of such legislation would be imprudent under the best of conditions, and current conditions are anything but good. The risks due to natural catastrophes have been growing for 20 years, and that trend is likely to continue because of the development that has occurred in areas prone to earthquakes and floods," concluded the Brattle Group researchers. "Moreover, the ability of the government and private industry to absorb shocks still remains tentative due to an uncertain economic recovery, because of a financial crisis that stems from poor risk management in the banking and mortgage industries. Thus this is an especially poor time to impose a tax that would further jeopardize our economy's capacity to manage risk."

Since the release of the 2009 Brattle Group study, opposition to HR 3424 has increased -- [more than 100 independent groups and individuals have written letters to Congress opposing this legislation](#). Trade experts, economists, consumer advocates, state insurance commissioners and business owners around the country agree that the HR 3424 is an ill advised piece of legislation.

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

[Click here to download the 2010 Brattle Group Study.](#)

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