



Property Casualty Insurers
Association of America

Shaping the Future of American Insurance

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Additional Bailout Money for Insurance-Related Thrift Holding Companies Undermines Healthy Competitors

WASHINGTON—David A. Sampson, president and CEO of the Property Casualty Insurers Association of America (PCI), today issued the following statement.

“The Treasury Department faces the difficult job of trying to solve our nation’s financial crisis while minimizing the moral hazards stemming from federal intervention. Providing additional subsidized taxpayer loans to insurers who are also thrift holding companies could create unintended negative effects on consumers and the marketplace.

“Insurers that become bank or thrift holding companies can get cheap federal loans through Treasury’s Capital Purchase Program and then shift this subsidized capital to their insurance affiliates. This cheap money allows unhealthy insurers to grab more market share in the short term at levels that are unsustainable in the long term. Such actions potentially not only undermine healthy competitors but also spread additional risk to bank or thrift subsidiaries receiving the federal money. This destabilization of the marketplace makes it increasingly impossible for the government to unwind the unsustainable market conditions it helped create.

“The unfortunate results for consumers and taxpayers are more risk, higher costs, less competition and an increasing reliance on government intervention and resources. Healthy providers losing market share would have to reduce employment and increase premiums to make up for lost revenues. And even highly profitable and fiscally sound insurers would have a duty to their shareholders to line up for federal largesse to avoid being boxed into a competitive disadvantage. The vast majority of insurers, who are healthy and sound, do not currently need federal investment in their businesses.

“PCI, which represents the broadest cross-section of insurers of any national trade association, has eschewed assistance under the Emergency Economic Stabilization Act of 2008. Despite the challenges of this economic downturn, our members remain the safest and strongest financial sanctuary in the current storm. Our insurers have behaved responsibly and continue to be generally well-capitalized and managed, providing sound and secure products to consumers. In addition, we are highly regulated at the state level for solvency. We do not need government rescue at this time and believe that such help would actually harm consumers and the vast majority of responsible insurers. We believe consumers benefit in the long run much more from free and open competition.”

PCI is composed of more than 1,000 member companies, representing the broadest cross-section of insurers of any national trade association. PCI members write over \$198 billion in annual premium, 40.5 percent of the nation’s property casualty insurance. Member companies write 51.6 percent of the U.S. automobile insurance market, 39.7 percent of the homeowners market, 33.2 percent of the commercial property and liability market, and 38.7 percent of the private workers compensation market.

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