



Property Casualty Insurers
Association of America
Shaping the Future of American Insurance

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Main Street Insurance Consumers Should Not Be Forced To Subsidize Risky Wall Street Firms

WASHINGTON—Home, auto and business insurers are not systemically risky, and their policyholders should not be forced to subsidize risky Wall Street firms, according to a paper by the Property Casualty Insurers Association of America (PCI). PCI sent a detailed systemic risk analysis today to members of the House Financial Services Committee, and called upon Congress to exclude property casualty insurers from the Financial Stability Improvement Act of 2009.

“We recognize that Congress faces a difficult undertaking,” said David A. Sampson, PCI’s president and CEO. “Our nation’s elected leaders have the charge of crafting legislation that will address the regulatory gaps which led to the current economic crisis. In so doing, we ask legislators to recognize the fact that home, auto and business insurers are not systemically risky, which was recognized in the regulatory reform white paper produced this year by the Obama Administration. One size does not fit all, and it would be a tremendous mistake to impose the same blanket solution on well-regulated insurers who do not pose a systemic risk as lawmakers might create for poorly regulated Wall Street firms.”

There are numerous reasons why property casualty insurers do not pose a systemic risk to the broader economy:

- Property casualty insurers are not highly leveraged.
- Property casualty insurers are not interconnected with other financial firms.
- There is no “run on the bank” threat in the insurance industry.
- Insurers are highly competitive with low market concentration.
- Property casualty insurers have low failure rates.
- Insurers already have their own effective resolution authority.

“No federal assistance has been provided to any property casualty insurance company as a result of a failure in its home, auto or business insurance operations,” Sampson said. “We believe it is appropriate for any financial services reform legislation to address risky, non-insurance activities taking place in diversified firms that include insurers, but it is not appropriate for those reforms to disturb the strong, non-risky and well-regulated, property casualty insurance activities of those firms. We ask Congress not to fix what is not broken, and to protect consumers by excluding home, auto and business insurers from the Financial Stability Improvement Act of 2009.”

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 \$180 billion in annual premium, 37.4 percent of the nation’s property casualty insurance. Member companies write 44 percent of the U.S. automobile insurance market, 30.7 percent of the homeowners market, 35.1 percent of the commercial property and liability market, and 41.7 percent of the private workers compensation market.

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