



Property Casualty Insurers
Association of America

Shaping the Future of American Insurance

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PCI: Systemic Risk Should Be Immediate Focus

WASHINGTON—An upcoming federal insurance regulation bill announced today raises important issues but fails to address the critical regulatory vulnerabilities that caused the current global financial crisis, according to the Property Casualty Insurers Association of America (PCI).

PCI applauds continued Congressional interest in underscoring problems with the current state insurance oversight system and maintaining the decades-long dialogue on comprehensive regulatory reform. However, PCI agrees with House Financial Services Committee Chairman Barney Frank (D-Mass.) and other federal reform leaders that Congress must prioritize its focus on addressing the more critical issue of systemic risk regulation.

Our nation is currently being crippled by a massive failure of federally regulated thrift holding companies, banks, and securities companies. The Treasury Department and Federal Reserve Board must first pump life into the ailing capital and credit markets, then work with Congress to prevent systemic risk failures from recurring. Taking the one part of the financial marketplace that has remained relatively more solvent—state regulated insurance companies—and muddying the expedited systemic risk legislation with a much more expansive and controversial long-term industry fight over solvency and product regulation would undermine Congressional efforts and result in unintended consequences for the entire marketplace.

“Systemic risk is clearly the crucial issue that Congress should tackle first,” said David A. Sampson, PCI’s president and CEO. “Before overhauling the entire financial services regulatory system, it is important to first determine what sectors of the marketplace actually create systemic risk and fix the dangerous gaps in federal oversight. The critical need right now, which is crucial to the future of our economy, is to establish a viable system for systemic risk regulation before refocusing on a decades-old debate over federal insurance regulation.”

PCI recently addressed the crucial issue of systemic risk in a two-page informational paper it provided to members of Congress and Congressional staff. This paper can be found online at www.pciaa.net/reg-reform.

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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