



Consumer Federation of America

For Immediate Release

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**CONSUMER ORGANIZATIONS CRITICIZE
PRESIDENT OF NATIONAL ASSOCIATION
OF INSURANCE COMMISSIONERS (NAIC):**

**Letter Says Csiszar Pursues Deregulation Agenda at Expense
of State Insurance Regulation and Consumer Protections**

Over 100 organizations today wrote to the 50 state insurance commissioners to express “grave concern about the damage to state insurance regulation being done by Ernie Csiszar in his role as NAIC President” and calling on the commissioners to direct Mr. Csiszar to “honor his position as President of the NAIC or, if he is unwilling to do so, to resign and allow someone supportive of the NAIC and state regulation to take his place.”

The letter was written on behalf of Consumer’s Union (CU), Americans for Insurance Reform, Consumer Federation of America (CFA), the Center for Economic Justice and many others.

J. Robert Hunter, Director of Insurance for the CFA stated, “Csiszar favors broad deregulation of many aspects of insurance. His views are on the extreme end of the spectrum of views of members of the NAIC. Consumers will be hurt and state insurance regulators deprived of authority to help consumers or address market problems under the radical deregulation agenda he pushes.”

Norma P. Garcia, Senior Attorney, from CU’s West Coast Regional Office said, “In his zeal to push a deregulation agenda, Director Csiszar is abandoning NAIC work products and placing at risk the very viability of state insurance regulation and associated consumer protections.”

The consumer leaders explained that their concern is not over their disagreement with Director Csiszar on the issues. They feel that given a fair debate and an open process, Mr. Csiszar’s radical deregulation agenda will not win favor. Their concern is that Director Csiszar is using his position as NAIC President to push his extreme views instead of the consensus positions taken by the NAIC. Despite his position as NAIC President, Commissioner Csiszar has pledged to abandon NAIC work products in favor of other organizations’ work that are more in line with his personal agenda.

For example, the consumer leaders pointed out that the NAIC has long debated the issue of personal lines rate and form regulation. There has been no consensus as some regulators favor deregulation and others favor regulatory oversight as needed if market

forces fail to protect consumers. The NAIC has a model property casualty rate and form law that represents a compromise, but NAIC leadership has bottled up that compromise model. In its place, Commissioner Csiszar has promised to promote the National Conference of Insurance Legislators (NCOIL) rate model, which is an industry wish list that goes beyond deregulation and places barriers in front of regulators who attempt to deal with problems in the marketplace.

The consumer representatives' letter indicates that they have not always agreed with NAIC work products and are concerned about the great influence of insurers at the NAIC. "But the NAIC does include representation from all the states and typically provides a process that provides for some meaningful consumer participation. In contrast, insurers drive the development of NCOIL work products with legislators from a small number of states having disproportionate impact. NCOIL also has no conflict of interest provisions, so many of the NCOIL legislators voting on model laws and resolutions are, believe it or not, employed by the insurance industry," said Hunter.

"Commissioner Csiszar is apparently willing to push his radical deregulation agenda at the expense of state insurance regulation," said Garcia pointing out that Csiszar had remarked that federal intervention might be the only way to get uniformity out of scores of state governments. "I'll be honest with you," Csiszar is reported¹ to have said, "There are 55 of us (regulators) here, if you count the U.S. territories, and even if you get us to agree with everything--if you get all 55 of us holding hands and singing 'Kumbaya'--you're still going to have to deal with all of the state legislatures."

The consumer leaders have no objection to a healthy discussion of the issues that includes all perspectives. "But when Director Csiszar uses his position as NAIC President to stifle debate, eliminate opposing views and push his radical deregulation agenda, he is not serving the NAIC as an institution, other state insurance regulators or consumers," Hunter concluded.

In their letter, the consumer groups urged the commissioners "to rein in Director Csiszar's activities before the damage to state regulation and insurance consumer protections that do exist become irreparable."

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CFA is a non-profit association of more than 300 organizations that, since 1968, has sought to advance the consumer interest through advocacy and education.

Consumers Union, nonprofit publisher of Consumer Reports, is an independent, nonprofit testing and information organization, serving only the consumer. CU is a comprehensive source of unbiased advice about products and services, personal finance, health, nutrition, and other consumer concerns. Since 1936, our mission has been to test products, inform the public, and protect consumers.

CEJ is a non-profit organization that advocates on behalf of low income and minority consumers on insurance, credit and utility matters.

(Copies of the letter to the commissioners are attached to this release)

¹ BestWire, February 24, 2004

March 3, 2004

To Members of the National Association of Insurance Commissioners

By Electronic Mail

Re: Director Csiszar's Actions

Dear Commissioners, Superintendents and Directors:

Americans for Insurance Reform, a coalition of over 100 consumer organizations, and Consumers Union write to you to express our grave concern about the damage to state insurance regulation being done by Ernie Csiszar in his role as NAIC President. In his zeal to push a deregulation agenda, Director Csiszar is abandoning NAIC work products and placing at risk the very viability of state insurance regulation and associated consumer protections. We urge you to direct Director Csiszar to honor his position as President of the NAIC or, if he is unwilling to do so, to resign and allow someone supportive of the NAIC and state regulation to take his place.

As you know, Csiszar favors broad deregulation of many aspects of insurance. His views are on the extreme of the spectrum of views of members of the NAIC. We disagree with many of Director Csiszar's views. Consumers will be hurt and state insurance regulators deprived of authority to help consumers or address market problems under the deregulation agenda.

But our concern is not over our disagreement with Director Csiszar on the issues. Given a fair debate and an open process, the radical deregulation agenda will not win favor.

Our concern is that Director Csiszar is using his position as NAIC President to push his extreme views instead of consensus positions of the NAIC. Despite his position as NAIC President, Commissioner Csiszar has pledged to abandon NAIC work products in favor of other organizations' work that are more in line with his personal agenda.

For example, the NAIC has long debated the issue of personal lines rate and form regulation. There has been no consensus as some regulators favor deregulation and others favor regulatory oversight as needed if market forces fail to protect consumers. The NAIC has a model property casualty rate and form law that represents a compromise, but that compromise model has been bottled up by NAIC leadership. In its place, Commissioner Csiszar has pledged to promote the National Conference of Insurance Legislators (NCOIL) rate model which is an industry wish list that goes beyond deregulation and places barriers in front of regulators who attempt to deal with problems in the marketplace. The December 11, 2003 issue of BestWire contained the following:

Having the president of the National Association of Insurance Commissioners endorse a hands-off approach to rate making is one thing, but the fact that it's Ernst Csiszar, South Carolina's insurance director, makes it even better from the industry's perspective. Csiszar has said he would support a rate-modernization model law adopted by the National Conference of Insurance Legislators.

While he wants to get his fellow commissioners to talk openly about competitive rating, which he said hasn't been the case in recent years, he also wants them to understand that NCOIL has a model law on the subject that's poised and ready to go. "I don't see how we as regulators can stick our heads in the sand and avoid the fact," Csiszar said during an interview in Anaheim.

"Yes, I would indeed push the NCOIL model in the states," Csiszar said. "It's part of my objectives."

We have not always agreed with NAIC work products and are concerned about the great influence of insurers at the NAIC. But the NAIC does include representation from all the states and typically provides a process that provides for some meaningful consumer participation. In contrast, the development of NCOIL work products is driven by insurers with legislators from a small number of states having disproportionate impact. NCOIL also has no conflict of interest provisions, so many of the NCOIL legislators voting on model laws and resolutions are employed by the insurance industry.

Commissioner Csiszar pushes his agenda by ensuring that only his perspective is presented to fellow regulators. In a departure from previous years, no consumer representatives made presentations at the NAIC Commissioner's Conference in early February. At the NAIC's recent conference in Washington, DC on State Insurance Regulation: Ensuring Solvency, Transparency and Competitiveness in a Global Insurance Market, Commissioner Csiszar brought in the insurance deregulation zealot Scott Harrington but included no other perspectives in the session.

It is clear that Commissioner Csiszar is willing to push the radical deregulation agenda at the expense of state insurance regulation. The February 24, 2004 BestWire included the following:

Csiszar said that discussion among regulators and Baker's subcommittee is centering on the approach endorsed by the IIABA. That trade group has proposed a "federal standards" system that would have state officials enforcing a uniform set of nationwide standards, mainly governing speed-to-market issues and producer licensing. A bill is likely to be introduced in the House sometime in April.

Csiszar said federal intervention might be the only way to get uniformity out of scores of state governments. "I'll be honest with you," he said. "There are 55 of us (regulators) here, if you count the U.S. territories, and even if you get us to agree with everything--if you get all 55 of us holding hands and singing 'Kumbaya'--you're still going to have to deal with all of the state legislatures."

In his own state, he said, lawmakers passed an insurance modernization bill, "and then they couldn't wait to turn around and tinker with it." Those kinds of changes, Csiszar said, keep model laws from being uniform and defeat the purpose of passing them in the first place. A mandate from the federal government about producer licensing and other uniformity issues would put an end to that, he said.

And an interview in the January 12, 2004 issue of the Insurance Journal contained the following:

[Csiszar] I've always felt that we are mischaracterizing this whole debate when we make reference to the regulatory system as either a state system or a federal system. To me, the debate is whether it is a good regulatory system or a bad regulatory system. Or a regulatory system that may have started out with good intentions and all that good has outlived its usefulness.

So when I say we need change in the system, it is not that in any shape or form necessary to be driven by a governmental level.

We have no objection to a healthy discussion of the issues that includes all perspectives. But when Director Csiszar uses his position as NAIC President to stifle debate, eliminate opposing views and push his radical deregulation agenda, he is not serving the NAIC as an institution, other state insurance regulators or consumers. We urge you to rein in Director Csiszar's activities before the damage to state regulation and insurance consumer protections that do exist become irreparable.

Sincerely,



J. Robert Hunter
Director of Insurance
Consumer Federation of America



Norma P. Garcia
Consumers Union

On Behalf of American for Insurance Reform
(The list of AIR members follows)

Member Organizations of Americans for Insurance Reform

Alabama Watch, AL	Arizona Consumers Council, AZ
Alaska Public Interest Research Group, AK	Arkansas Advocates for Nursing Home Residents, AR
Arizona Coalition Against Domestic Violence, AZ	Association for the Protection of Our Elderly,

CA
Boston Women's Health Collective, MA
California Advocates for Nursing Home Reform, CA
Caribbean Women's Health Association, Inc., NY
Center for Economic Justice, TX
Center for Insurance Research, MA
Center for Justice & Democracy, NY
Citizen Action/Illinois, IL
Citizen Action of New York, NY
Citizens' Committee to Protect the Elderly, VA
Citizens' Environmental Coalition, NY
Citizens for Consumer Justice, PA
Citizens' Health Advocacy Group, WA
Coalition for Consumer Rights, IL
Colorado Progressive Coalition, CO
Colorado Public Interest Research Group, CO
Community Food Resource Center, NY
Concerned Citizens of Clarence, NY
Connecticut Public Interest Research Group, CT
Consumer Federation of America, DC
Consumers for Civil Justice, NJ
Consumers United/Minnesotans for Safe Foods, MN
MN
Cornerstone, MN
Dalkon Shield Information Network, PA
Democratic Processes Center, AZ
DES Action, CA
Jennifer Dingman, PULSE of Colorado*
Disabled in Action of Metropolitan New York, NY
Empire State Family Farm Alliance, NY
Families Advocating Injury Reduction, IL
Families for Improved Care, OH
Florida Consumer Action Network, FL
Florida Public Interest Research Group, FL
Foundation for Spinal Cord Injury, Prevention, Care and Cure, MI
Foundation for Taxpayer and Consumer Rights, CA
Free Hand Press/Mouth Magazine, KS
Georgia Coalition Against Domestic Violence, GA
Georgia Public Interest Research Group, GA
Georgia Watch, GA
Good Old Lower East Side, NY
Gray Panthers National Office, DC
Greater New York Labor-Religion Coalition, NY
Headway for Brain Injured, Inc., NY
Homeowners Against Deficient Dwellings, MO
Illinois Public Interest Research Group, IL
Indiana Public Interest Research Group, IN
Joint Public Affairs Committee for Older Adults, NY
Kaiser Permanente Reform Committee, CA
Maryland Consumer Rights Coalition, Inc., MD
Massachusetts Public Interest Research Group, MA
Mental Health Association of New York State, Inc., NY
Michigan Consumer Federation, MI
Minnesota Consumers Alliance, MN
Regene Mitchell, Consumer Federation of California, CA*
National Community Reinvestment Coalition, DC
National Fair Housing Alliance, DC
National Gay and Lesbian Task Force, DC
National Hispanic Council on Aging, DC
National Women's Health Network, DC
Neighbors Against Garbage, NY
New England Patients' Rights Group, Inc., MA
New Hampshire Public Interest Research Group, NH
New Jersey Public Interest Research Group, NJ
New Mexico Coalition Against Domestic Violence, NM
New Mexico Consumer Action, NM
New York City Environmental Justice Alliance, NY
New York Committee for Occupational Safety and Health, NY
New York Public Interest Research Group, NY
New York State Coalition Against Domestic Violence, NY
New York State Tenants and Neighbors

Coalition, NY
New York StateWide Senior Action Council,
NY
New Yorkers for Accessible Health Coverage,
NY.
North Carolina Hunger Network, NC
North Carolina Public Interest Research Group,
NC
Ohio Citizen Action, OH
Ohio Domestic Violence Network, OH
Oregon Consumer League, OR
Oregonians for Insurance Reform, OR
Oregon State Public Interest Research Group,
OR
Patient Information Alliance, NY
Pennsylvania Consumer Council, PA
Pennsylvania Public Interest Research Group,
PA
People's Medical Society, PA
Physicians and Patients for Quality Care, NJ
Progressive Tenants Association, Inc., NY
Public Interest Research Group in Michigan, MI
Rhode Island Public Interest Research Group,
RI
Safetyforum.com, VA
Senior Action in a Gay Environment/ Queens,
NY
SmokeFree Educational Services, NY
Statewide Emergency Network for Social and
Economic Security, NY
Texas Advocates for Nursing Home Residents,
Coastal Bend Unit, TX
Texans for Public Justice, TX
Texas Watch, TX
The Housing Advocates, Inc., OH
United Policyholders, CA
Universal Health Care Action Network, OH
USAction, DC
U.S. Public Interest Research Group, DC
Utah Citizens Alliance, UT
Vermont Public Interest Research Group, VT
Washington Citizen Action, WA
Washington Public Interest Research Group,
WA

Western New York Committee for Occupational
Safety and Health, NY
West Harlem Environmental Action, Inc., NY
West Virginia Citizen Action Group
Woodstock Institute, IL

* Organization name for purposes of
identification only.

