



Formerly The Foundation for Taxpayer & Consumer Rights

1750 Ocean Park Boulevard, #200, Santa Monica, CA 90405-4938 • Tel: 310-392-0522 • Fax: 310-392-8874 • www.consumerwatchdog.org

September 17, 2008

Honorable Paul Kanjorski
2188 Rayburn House Office Building
Washington, DC 20515-3811

Re: HR 5840 In the Context of the \$85 Billion Bailout of AIG

Dear Congressman Kanjorski:

When the federal government authorizes an \$85 billion bailout and partial takeover of the world's largest insurer, everything changes. We urge you to immediately withdraw your H.R. 5840 – which would allow a federal agency to preempt state insurance laws and replace them with international trade agreements – from consideration on the House Floor today. Nothing could be more inappropriate than having a suspension calendar vote on a major change to insurance company regulation in our nation in the wake of what just happened with AIG.

AIG's stunning collapse and unprecedented bailout was driven largely by the massive failure of financial industry deregulation and the policy of weak federal oversight of the banking system. Indeed, Congressman Barney Frank, Chairman of the Financial Services Committee said yesterday "I mean this is one more affirmation that the lack of regulation has caused serious problems. That the private market screwed itself up and they need the government to come help them unscrew it." H.R. 5840 would begin the process of allowing the policies that "screwed up" the financial markets and destroyed AIG (as well as Lehman, Bear Stearns, etc) to undermine our system of state-based insurance oversight.

Earlier this summer, your staff agreed to work with us to limit the scope of H.R. 5840 and prevent international trade agreements from preempting California's thorough rate regulation system installed by the state's voters in 1988, known as Proposition 103. We agreed to stay focused on that issue and resolving that problem. But we never could have imagined then that the context for this discussion would change as dramatically and dangerously as it did yesterday. There is no doubt in our mind that you could not have imagined this either when you wrote the bill. But in light of the AIG bailout, we must have a much more thorough debate about the underlying issue of the federal government's role in regulating an insurance industry that has been historically regulated by the states.

As such, we must ask you to pull this bill until the nation has had time to understand what happened to AIG and to the \$85 billion we have been forced to give that company.

Sincerely,

A handwritten signature in black ink that reads "Harvey Rosenfield".

Harvey Rosenfield

A handwritten signature in black ink that reads "D. Heller".

Douglas Heller

cc: Honorable Nancy Pelosi, Speaker
Honorable Barney Frank, Chairman House Financial Services Committee
Honorable Steny Hoyer, House Majority Leader