



## NAIC Plan Would Harm Insurance Consumers

**T**he National Association of Insurance Commissioners (NAIC) has unveiled a plan to "reinvent" insurance regulation that would dramatically reduce consumer protection in the insurance marketplace.

Leading consumer groups, including CFA, held a news conference in September announcing their opposition to the plan.

"The NAIC proposal represents the most dangerous setback for America's insurance consumers that I've seen in my 40 years in insurance," said Director of Insurance J. Robert Hunter.

"It is astonishing that the NAIC would consider gutting regulation so soon after the states finally began to curb the massive sales abuses in the life insurance industry and get a handle on auto insurance claims abuses," he added.

Following passage of financial modernization legislation, many insurance industry organizations have begun to seriously consider a federal role in insurance regulation.

In response, state regulators, represented by the NAIC, have pledged to "modernize" insurance regulation.

"Although the NAIC declares that its primary goal is to aggressively protect insurance consumers, they have outlined a plan that proposes to hold off federal intrusion by satisfying insurance industry wish lists," Hunter said.

### Plan Designed To Preempt Federal Role

Of particular concern are recently announced priorities to:

- create a state-based "national" regulatory model that would rely on a single state, assisted by an unidentified task force, to regulate each company on a nationwide basis;
- create a Coordinated Advertising, Rate, and Form Review Authority (CARFRA) to provide faster approval of policies and rates;
- institute insurer conducted self-certification exams while making state exams less intrusive and more uniform; and
- allow consumer financial data to be shared with affiliates, and even non-affiliates, unless the consumer specifically opts out of such data sharing.

"We recognize that improvements in speed of regulation and more uniform processes are needed and that some aspects of the NAIC proposals are good," Hunter said. "Overall, however, the proposals contain a number of threats to consumers."

Hunter argued that an effective national approach to insurance regulation can only be accomplished through federal legislation that builds in the minimum consumer protections necessary to qualify a state and insurer for national

treatment.

NAIC's current practice "of being held hostage to the industry for the collection of fees" must end, he said. If a national approach to regulation is adopted, he added, a nationally funded consumer advocate's office must be created.

Minimum standards for loss ratios, policy language, and disclosure to consumers must be part of any faster approval processes.

And, if a voluntary association along the lines of CARFRA is created, it must be independently funded and operate under democratic processes.

The proposal to rely on self-certification of market conduct is totally unacceptable, Hunter said, particularly where certification information is confidential and non-discoverable.

Finally, financial privacy protections need to be strengthened, to require consumers to opt in to data sharing, rather than relying on opt out, he said.

### Pro-consumer Reforms Urged

Ultimately, the NAIC plan provides a weakening of insurance regulation just when stronger protections are needed, he said.

"Because of the dramatic impact of globalization and the Internet on financial services, the NAIC should be considering proposals to better protect consumers through more disclosure, elimination of discriminatory practices, improved market conduct exams, stronger consumer redress mechanisms, and enhanced consumer representation," Hunter said.

He detailed the pro-consumer reforms needed in an Insurance Consumers Bill of Rights released at the news conference.

"The NAIC must raise the bar and incorporate these consumer protection principles into their reinvention process if state regulation is to benefit consumers," he said.

Also participating in the news conference were The Foundation for Taxpayer and Consumer Rights, California Health Advocates, Center for Justice and Democracy, Spread the Risk, Center for Insurance Research, and NAIC-funded consumer advocates Erica F. Woods, Karrol Kitt, Brenda J. Cude, and Pamela J. Burns.

### Insurance Department Resources Still Inadequate

State insurance departments also need enhanced funding if they are to be able to regulate the insurance industry effectively, according to a study released by CFA in August.

The study updates a consumer-industry survey conducted a decade ago, which found that most states were inadequately funded to provide effective regulation.

While there has been progress toward the goals set at that time, those goals still have not been fully met, the new report concludes.

The primary goal set was to bring over-all insurance department budgets up to at least 10 percent of premium tax revenues.

In 1998, 7.7 percent of premium tax revenues was spent on insurance regulation, up from 5.4 percent in 1988 and 6.4 percent in 1993. Despite the progress, that still leaves the state regulatory system almost 25 percent below minimal funding, Hunter noted.

The report also looks at the frequency of market conduct and financial exams, the number of actuaries on staff, the salaries of various categories of regulators, and the number of people employed by state insurance departments.

In each case, it found progress, but that progress fell well short of the goals set in 1988.

Hunter called on states with poor grades to seek more funding from their state legislatures and pledged CFA's support. As a first step, CFA sent copies of the report to all governors and state insurance commissioners.

For a copy of the report, send \$10 to Insurance Department Resources Report, Consumer Federation of America, 1424 16th Street, N.W., Suite 604, Washington, D.C. 20036.

### Antitrust Update:

## Access Key To AOL-Time Warner Merger

**R**eports emerged in early September that the Federal Trade Commission was prepared to block America Online Inc.'s planned purchase of Time Warner Inc. unless the companies first agree to conditions designed to guarantee open and non-discriminatory access to the high-speed Internet.

Meanwhile, spurred by a Ninth Circuit Appeals Court ruling defining broadband Internet service as a telecommunications service, the Federal Communications Commission opened an inquiry into the access issue.

"While it is too soon to tell what the FTC will do, they appear to be looking very carefully at the access issue," said CFA Research Director Mark Cooper.

"On the other hand, it has taken a court ruling and the biggest media merger in history to get the FCC just to ask a question when it should be proposing a rule," he said. Furthermore, he said, the agency is asking the wrong questions.

"We know broadband Internet is a telecommunications service, we know the

### Booklet Takes Mystery Out Of Buying Insurance

A new 30-page consumer guide is available from CFA to take the mystery out of purchasing insurance.

*A Buyer's Guide to Insurance* contains easy-to-read advice on purchasing the four primary types of insurance — life, health, auto, and homeowners or renters insurance. It also covers disability income insurance, long-term care insurance, and what to do if you don't get a fair claim settlement.

"Insurance is a subject that baffles many," said CFA Insurance Director J. Robert Hunter, co-author of the booklet with CFA Life Insurance Actuary James H. Hunt. "This booklet explains difficult concepts in terms the average consumer can understand. It is a valuable resource for anyone facing tough decisions on buying or continuing an insurance policy."

For a copy of *A Buyer's Guide to Insurance*, send a check or money order for \$5 to Consumer Federation of America, Insurance Buyer's Guide, 1424 16th Street, N.W., Suite 604, Washington, D.C. 20036.

cable companies have market power, and we know they are excluding people," he said. "We need a non-discriminatory access rule now."

Over the last two years, CFA and other consumer groups have repeatedly urged the FCC to take action to ensure open access over cable wires. They renewed that call earlier this year when the proposed AOL-Time Warner merger was first announced.

At issue is whether Time Warner cable subscribers will be able to use Internet services other than the ones provided by Time Warner and whether those services will be offered access on competitive terms.

While Time Warner and AOL have repeatedly maintained that they intend to open their cable lines to competitors, they have strongly resisted having access made a condition of the merger.

"The overwhelming leverage enjoyed by the dominant firms will prevent commercial negotiations from producing

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## Investor Protection Update:

## SEC Approves Pro-investor Disclosure Rule

The Securities and Exchange Commission voted 3-1 in August to prohibit companies from releasing potentially market-moving information to Wall Street insiders before announcing it to the public.

"Regulation FD will help to ensure that all investors, no matter the size of their holdings, have fair access to important corporate information," said CFA Director of Investor Protection Barbara Roper. "That is good for small investors and good for the markets as a whole."

Regulation FD simply requires companies that wish to release potentially market moving information to simultaneously disseminate it broadly to the public.

"Selective disclosure makes a mockery of the principle of full and fair disclosure by providing a privileged few with access

to information, and the opportunity to trade on that information, that is denied to other market participants," Roper added. "In practical terms, it means that big investors profit, and the little guy gets shut out."

CFA, Consumers Union, Consumer Action, and U.S. Public Interest Research Group wrote to the commission in August urging adoption of the rule. In addition, CFA Chairman Sen. Howard Metzenbaum (Ret.) spoke to Commissioner Isaac Hunt, who ultimately cast the deciding vote in favor of the rule.

## Auditor Independence Rule Would Benefit Investors

The SEC has also proposed hotly contested changes to the auditor independence rule that would, among other

things, prohibit accounting firms from performing certain non-audit services for audit clients.

Speaking on behalf of CFA, Public Citizen, and Consumer Action, Sen. Metzenbaum testified in support of the proposed rule changes at a September SEC hearing.

"Whether they know it or not, Americans are enormously dependent on independent auditors, both to ensure the reliability of the information they use to make individual investment decisions and to ensure the efficiency of the marketplace in assigning value to stocks," he said.

"There's no doubt about it, auditors today are less independent than they were just a decade ago," he said, noting that 51 percent of the big auditing firm's revenues now come from consulting services.

Substantial conflict exist when an audit firm is simultaneously competing for a sizeable consulting contract or when the auditor is asked to audit the work of another branch of the firm.

## Conflicts Hurt Investors

"Practices such as these raise serious questions about the independence of the audit, and that is bad for investors, bad for the financial markets, and bad for the reputation of the auditing profession," he said.

With the congressional session drawing to a close, the accounting industry was reportedly attempting to get a rider attached to an appropriations bill to stop, or at least delay, the rule. Sen. Metzenbaum pledged CFA's support in combatting any such effort.

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meaningful non-discriminatory access," Cooper predicted.

Only a regulatory policy that requires non-discriminatory access will produce the desired outcome, he said.

"The FCC is confronted with a highly concentrated market for residential broadband service in which cable modem facility owners dominate, cable TV firms have exhibited repeated patterns of exclusionary and anti-competitive behavior, and barriers to communications driven by private interests are developing," he said.

To "prevent this anti-competitive and anti-consumer industry structure from taking hold," he urged the FCC to:

- prevent any cross ownership or "sweetheart" deals between the dominant firms in the broadband Internet market in order to minimize the opportunity for collusion and maximize the rivalry between their interests;
- prohibit firms from owning potentially competing technologies in order to maximize the prospect of cross-technology competition;
- prevent vertically integrated service providers from leveraging their market power over facilities into the content market by imposing a clear legal obligation to provide open access; and
- prohibit proprietary platforms from walling consumers off from competition or destroying the communications functions of interactive communications networks.

## House Passes Health Care Antitrust Exemption

The House approved legislation in June that would grant a broad and unwarranted antitrust exemption to self-employed physicians, pharmacists, and other health care professionals.

CFA opposed the measure, which passed on a 276-136 vote, on the grounds that it would do significantly more harm than good for health care consumers.

"This bill would authorize the creation of health care cartels, not unions," said CFA Legislative Director Travis Plunkett.

Instead of amending labor laws to permit self-employed health care professionals to form a bona fide labor union or establishing oversight of the collective bargaining process under the auspices of

the National Labor Relations Board, H.R. 1304 would amend the federal antitrust laws to grant health care providers a blanket exemption in negotiating with health plans.

The legislation would allow physicians to collude on price, divide up markets, and work in concert to drive competing non-physician providers, such as nurse midwives and chiropractors, out of business, Plunkett said.

As a result, its passage could lead to an increase in health care costs with no corresponding improvement in health care quality or access, he said. And that could lead to an increase in the 43 million Americans who have no health insurance.

In the wake of the House vote, Senate Majority Leader Trent Lott (R-MS) expressed his opposition to the bill. Although based on an entirely different set of concerns, his opposition significantly diminishes the bill's chances of passage this year.

"CFA vigorously supports the enactment of real patient protections, such as the Dingell-Norwood bill, that would improve the quality of care offered by managed health care plans and allow health care providers to better advocate on behalf of their patients," Plunkett said. "This legislation is not the way to achieve that goal."

## Hearing Held on Antitrust Legislation

The House Judiciary Committee held hearings in September on legislation to strengthen antitrust enforcement.

H.R. 4321, introduced by Rep. David Minge (D-MN) would: restructure filing fees to provide more resources for antitrust enforcement; increase the maximum statutory fine in antitrust cases from \$10 million to \$100 million; create a commission to study concentration in food and agriculture; establish a senior position in the Justice Department's antitrust division focusing specifically on agriculture issues; and restore to consumers and other indirect purchasers the right to recover damages for injuries caused by antitrust violations.

In the *Illinois Brick* decision, the Supreme Court ruled that only those directly injured by monopoly or collusive behavior can seek redress in the federal courts.

"What that means is this, if a manufacturer engages in illegal price fixing—for

example charging a retailer a price above the competitive price—the consumers who ultimately pay the overcharge are not permitted to recover any damages," said CFA Chairman Sen. Howard Metzenbaum (Ret.), who testified in support of the bill. "This is fundamentally unfair."

Sen. Metzenbaum cited as an example the Vitamin Anti-Trust Class Action, which resulted in a settlement of more than \$1 billion. "Consumers—the ones who were really hurt—were not reimbursed for any of the additional costs they incurred in overpriced vitamins and food," Sen. Metzenbaum said.

H.R. 4321 attacks that problem legislatively, by overturning the *Illinois Brick* decision and setting a single federal standard for such cases.

## Proposed Airline Merger Raises Antitrust Concerns

The proposed merger between United Airlines and U.S. Airways should not be permitted because of its severe anti-competitive impact, Research Director Cooper said in June testimony before the Senate Antitrust Committee.

The merger, which would combine the largest and the sixth largest U.S. airlines, would reduce competition in an industry that already suffers from a general lack of competition, Cooper said. Furthermore, it would trigger a round of mergers that would leave consumers with fewer and fewer choices across the nation, he said.

The merger would violate the Department of Justice (DOJ) merger guidelines in more than half a dozen major airports, and numerous other smaller airports and routes from smaller airports would also be affected, he said.

"When airports become concentrated or when competitors are removed from already concentrated airports, prices go up, by as much as 20 to 40 percent," and service deteriorates, he said.

In addition, "new airlines would find it harder and harder to enter the more concentrated, integrated markets that would result," he said.

The proposals offered by the airlines to address these problems are largely meaningless, Cooper argued.

"The bottom line is clear," he said. "Temporary freezes, feeble spin-offs, and a few long distance flights cannot make up for the massive increase in concentration that would result from this merger."

## B2B Deals Pose Anti-competitive Threats

One of the hot new trends on the Internet—business-to-business exchanges or B2B websites—also pose anti-competitive threats that could harm consumers, Cooper argued in testimony at a June FTC workshop.

"These B2B sites raise fundamental problems of horizontal concentration and vertical integration disguised as consumer friendly e-commerce applications," Cooper said.

B2B sites enhance the chances of collusion, increase the likelihood of anti-competitive parallelism, and could raise barriers to entry by potential competitors, raise costs for actual competitors, and reduce the likelihood that independent action will reduce price, he said.

"The problem will be massive in cyberspace, and the ability of enforcement authorities to detect and prevent it is limited," he said. "As the chances of being caught are diminished, the likelihood of the violation increases."

Because regulators are unlikely to receive the massive infusion of resources such policing activities would require, he said, the following principles should be adopted to prevent anti-competitive arrangements before they are executed:

- arrangements that account for a significant share of the suppliers in a market should be subject to specific investigation;
- profit sharing between firms should be discouraged, since this diminishes the incentive to compete;
- restriction of supply, either by requiring certain quantities to be offered or by preventing participants from selling outside the B2B arrangement, should not be allowed;
- transactions should be anonymous and executed by a site administrator in order to prevent B2B participants from gaining access to information on competitors' costs of inputs or quantities and price of output sold through the exchange; and
- an Ombudsman should be required to be present at all official functions and to monitor operations, and a finding by the Ombudsman that anti-competitive activity has occurred should become a rebuttable presumption of a violation of the antitrust law.



# CFA PAC Endorses Congressional Candidates

In early October, CFA's political action committee announced its endorsements of 132 candidates in the 2000 congressional elections.

In the House, CFA PAC endorsed 106 incumbents, seven open seat candidates, and twelve challengers to anti-consumer members.

In the Senate, CFA PAC endorsed three incumbents, one open seat candidate, and three challengers to anti-consumer incumbents.

"Consumer issues have taken center stage in Washington," said CFA Legislative Director Travis Plunkett. "In poll after poll, Americans rank consumer issues, such as a managed care bill of rights and personal privacy protection, among their top concerns."

"An endorsement from CFA's PAC lets consumers know who is likely to stand up for consumers when important votes are taken on pocketbook, privacy, health, and safety issues," he added.

Incumbent candidates were evaluated on the basis of their career voting records on key consumer issues. Those with lifetime CFA voting records of 80 percent or more received automatic endorsements.

A handful of candidates whose lifetime records fell slightly below that level were endorsed based on the leadership they have taken on CFA priority issues.

Endorsed incumbents are those, for example, who have:

- opposed efforts to unfairly restrict the access of financially strapped consumers to bankruptcy
- opposed measures that would allow corporations to share vast amounts of consumers' confidential financial information without their permission;
- supported strong managed care patient protections that would apply to all Americans enrolled in private insurance plans and help to ensure that doctors, not insurance company executives, make medical decisions;

- voted to end corporate welfare at its worst by ending the federal sugar program; and

- voted to protect Americans from gun violence by requiring those selling weapons at gun shows to conduct criminal background checks.

Open seat candidates and challengers to incumbents with a lifetime voting record of 20 percent or below were sent a

questionnaire covering such issues as personal privacy, product and food safety, managed care patient protections, and predatory lending.

Endorsements were awarded to those who expressed strong pro-consumer views.

"The next Congress is likely to determine policy on such vital consumer issues as privacy, affordability and acces-

sibility of prescription drugs, electricity deregulation, and predatory mortgage lending," Plunkett said.

"The continued presence of pro-consumer incumbents, and the addition of new pro-consumer members, is essential to ensure that consumer interests are defended and consumer protections are strengthened," he said.

## Election 2000

### CFA-ENDORSED CANDIDATES

#### Senate

HI: Sen. Daniel Akaka (D)  
MD: Sen. Paul Sarbanes (D)  
MA: Sen. Edward Kennedy (D)  
NJ: Jon Corzine (D)  
PA: Rep. Ron Klink (D)  
TX: Gene Kelly (D)  
WY: Mel Logan (D)

#### House

AZ: David Mendoza (D-01)  
Rep. Ed Pastor (D-02)  
CA: Rep. Robert T. Matsui (D-05)  
Rep. Lynn Woolsey (D-06)  
Rep. George Miller (D-07)  
Rep. Nancy Pelosi (D-08)  
Rep. Barbara Lee (D-09)  
Rep. Tom Lantos (D-12)  
Rep. F. Pete Stark (D-13)  
Rep. Anna Eshoo (D-14)  
Rep. Sam Farr (D-17)  
Rep. Howard Berman (D-26)  
Janice Nelson (D-28)  
Rep. Henry Waxman (D-29)  
Rep. Xavier Becerra (D-30)  
Rep. Julian Dixon (D-32)  
Rep. Lucille Roybal-Allard (D-33)  
Rep. Maxine Waters (D-35)  
Rep. Juanita Millender-McDonald (D-37)

Rep. Loretta Sanchez (D-46)  
Rep. Bob Filner (D-50)  
CO: Rep. Diana DeGette (D-01)  
CT: Rep. Sam Gejdenson (D-02)  
Rep. Rosa DeLauro (D-03)  
FL: Rep. Corrine Brown (D-03)  
Daniel Vaughn (D-07)  
Daniel Dunn (D-13)  
Rep. Carrie Meek (D-17)  
GA: Rep. Cynthia McKinney (D-04)  
Rep. John Lewis (D-05)  
HI: Rep. Neil Abercrombie (D-01)  
Rep. Patsy Mink (D-02)  
ID: Craig Williams (D-02)  
IL: Rep. Bobby Rush (D-01)  
Rep. Jesse Jackson, Jr. (D-02)  
Rep. Luis Gutierrez (D-04)  
Rep. Rod Blagojevich (D-05)  
Rep. Danny Davis (D-07)  
Rep. Janice Schakowsky (D-09)  
Rep. Lane Evans (D-17)  
IN: Rep. Peter Visclosky (D-01)  
Bob Rock (D-02)  
Rep. Julia Carson (D-10)  
MD: Rep. Benjamin Cardin (D-03)  
Rep. Albert Wynn (D-04)  
Rep. Steny Hoyer (D-05)  
Don DeArmon (D-06)  
Rep. Elijah Cummings (D-07)  
MA: Rep. John Olver (D-01)  
Rep. Richard Neal (D-02)  
Rep. James McGovern (D-03)  
Rep. Barney Frank (D-04)  
Rep. Martin Meehan (D-05)  
Rep. John Tierney (D-06)  
Rep. Edward Markey (D-07)

Rep. Michael Capuano (D-08)  
Rep. Joe Moakley (D-09)  
Rep. William Delahunt (D-10)  
MI: Rep. Dale Kildee (D-09)  
Rep. David Bonior (D-10)  
Matthew Frumin (D-11)  
Rep. Sander Levin (D-12)  
Rep. Lynn Rivers (D-13)  
Rep. John Conyers, Jr. (D-14)  
Rep. John Dingell (D-16)  
MN: Rep. Martin Sabo (D-05)  
Rep. Bill Luther (D-06)  
Rep. James Oberstar (D-08)  
MS: Rep. Bennie Thompson (D-02)  
MO: William Clay, Jr. (D-01)  
Rep. Karen McCarthy (D-05)  
MT: Nancy Keenan (D-AL)  
NJ: Rep. Frank Pallone, Jr. (D-06)  
Marianne Connelly (D-07)  
Rep. Steven Rothman (D-09)  
Rep. Donald Payne (D-10)  
Rep. Robert Menendez (D-13)  
NY: Rep. Gary Ackerman (D-05)  
Rep. Gregory Meeks (D-06)  
Rep. Jerrold Nadler (D-08)  
Rep. Anthony Weiner (D-09)  
Rep. Major Owens (D-11)  
Rep. Nydia Velazquez (D-12)  
Katina Johnstone (D-13)  
Rep. Carolyn Maloney (D-14)  
Rep. Charles Rangel (D-15)  
Rep. Jose Serrano (D-16)  
Rep. Eliot Engel (D-17)  
Rep. Nita Lowey (D-18)  
Rep. Benjamin Gilman (R-20)  
Rep. Maurice Hinchey (D-26)

Rep. Louise Slaughter (D-28)  
Rep. John LaFalce (D-29)  
NC: Rep. Eva Clayton (D-01)  
Ed McGuire (D-09)  
Rep. Melvin Watt (D-12)  
OH: John Parks (D-08)  
Rep. Marcy Kaptur (D-09)  
Rep. Dennis Kucinich (D-10)  
Rep. Stephanie Tubbs Jones (D-11)  
Rep. Sherrod Brown (D-13)  
Rep. Thomas Sawyer (D-14)  
OK: Garland McWatters (D-05)  
OR: Rep. Earl Blumenauer (D-03)  
PA: Rep. Robert Brady (D-01)  
Rep. Chaka Fattah (D-02)  
Rep. Robert Borski (D-03)  
Rep. Joseph Hoeffel (D-13)  
Rep. William Coyne (D-14)  
Ed O'Brien (D-15)  
Jeff Sanders (D-19)  
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SC: Rep. James Clyburn (D-06)  
TX: Jeff Sell (D-07)  
Rep. Lloyd Doggett (D-10)  
Rep. Sheila Jackson-Lee (D-18)  
Rep. Eddie Bernice Johnson (D-30)  
VT: Rep. Bernard Sanders (I-AL)  
VA: Rep. Robert Scott (D-03)  
WA: Rep. Jim McDermott (D-07)  
Heidi Behrens-Benedict (D-08)  
WI: Rep. Tammy Baldwin (D-02)  
Rep. Gerald Kleczka (D-04)  
Rep. Thomas Barrett (D-05)  
Rep. David Obey (D-07)



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### Health and Safety Update, Continued from Page 4

"Baby bath seats are an invitation to danger," said CFA General Counsel Mary Ellen Fise.

To date, there have been at least 66 drowning deaths to infants and 37 reports of near drowning incidents associated with infant bath seats. Fifty-two of those deaths have occurred since 1994, when CPSC decided not to take action, including five deaths in the first six months of 2000.

"Enough is enough," Fise said. "The assembly line for this product should be shut down immediately."

The seats are intended to assist in bathing infants by holding the infant in a sitting position in a full-size bathtub. Drownings typically occur when the infant is left unattended for a brief time and tips over, climbs out of, or slides through the product.

A recent study by Dr. Clay Mann of the Intermountain Injury Control Research Center found that a false sense of safety results from having a mechanical aid to "help" hold a slippery baby upright and that this sense of security promotes the idea that a child can safely be left alone in the bath for "just a minute."

Joining CFA in the petition were: The

Drowning Prevention Foundation, The Danny Foundation, Intermountain Injury Control Research Center, the California Coalition for Children's Safety and Health, the California Drowning Prevention Network, The Contra Costa County Childhood Injury Prevention Coalition, the Greater Sacramento SAFE KIDS Coalition, and Kids in Danger.

Since then, three other organizations have written in support of the petition, U.S. Public Interest Research Group, Consumers Union, and the Good Housekeeping Institute.

### Added Ground Water Protections Advocated

Forty-six organizations have joined with CFA in calling on the Environmental Protection Agency to strengthen its proposed ground water disinfection rule.

The proposed rule seeks to prevent contamination of ground water sources and, when there are clear indications of fecal contamination, would require public water systems to disinfect their water, just as systems drawing from surface water sources are required to do.

"This rule has the potential to increase the health protection of some 109 million consumers," said CFA Public Policy Associate Diana Neidle. "However, more

needs to be done to ensure that consumers are protected from contaminated ground water."

According to the Centers for Disease Control and Prevention, most waterborne disease outbreaks in recent years have been caused by drinking water from underground sources, and the percentage appears to be growing.

In a comment letter submitted to the agency in August, the groups outlined the minimum additional requirements necessary to fulfill the intent of the ground water disinfection provision of the 1996 Safe Drinking Water Act.

These include expanded testing for viruses, more frequent monitoring for both viral and bacterial indicators, speedier correction of deficiencies, better disclosure to the public, and automatic disinfection by systems with hydrogeologically sensitive ground water sources unless a hydrogeologic barrier to contamination is clearly in place.

"It is long past time for drinking water systems to routinely check if water from wells and aquifers is contaminated with bacteria and viruses and, if it is, to disinfect it before the water is delivered to our homes," Neidle said.



## Health and Safety Update:

## Support Builds for Gun Safety Regulations

Consumer and gun control advocates have stepped up efforts in recent months to build support for legislation to subject guns to federal safety regulation.

More than 50 state and national organizations have joined CFA, Handgun Control, Inc., and the Violence Policy Center in endorsing S. 534 and H.R. 920, the Firearms Safety and Consumer Protection Act.

Sponsored by Rep. Patrick Kennedy (D-RI) in the House and Sen. Robert Torricelli (D-NJ) in the Senate, the companion measures would give the Treasury Department authority to regulate the design, manufacture, and distribution of firearms and ammunition.

That includes setting minimum safety standards for guns; issuing recalls and warnings about defective guns; collecting data on gun-related death and injury; and banning products when no other remedy is sufficient.

"If car companies tried to sell new cars with no built-in safety protection, if drug companies tried to sell untested drugs, or if there were no requirements for the safety and inspection of meats, Congress would in all likelihood act promptly," said CFA Chairman Sen. Howard Metzenbaum (Ret.) at a July news conference in support of the bill. "Isn't it time for Congress to meet its responsibility with respect to guns?" he added.

At the news conference, Consumer Federation of America Foundation (CFAF) released a new brochure—*Which One is More Regulated?*—that compares guns to teddy bears and outlines the legislation's

consumer product approach to reducing firearm-related deaths and injuries.

The brochure, which is available free to the public, was included in a letter from Sen. Metzenbaum to all members of Congress seeking additional co-sponsors for the bill.

The bill will not be voted on in the current session of Congress. Support is growing, however, with 25 co-sponsors signed on in the House by mid-September.

CFA, Handgun Control, Violence Policy Center, and the American Bar Association organized a congressional staff briefing in late September to continue to encourage additional co-sponsors to sign on before the bill is reintroduced in the next Congress.

## Three-year Project Funded

The Joyce Foundation has funded a three-year project through CFAF to educate consumers about the gun industry's immunity from regulation and spur public policy initiatives leading to the regulation of guns.

"Virtually every consumer product—from toys to jumbo jets—is regulated for safety more than guns," said CFA Project Manager Susan Glick, who coordinates the Joyce Foundation project. "No federal agency has the power to ensure that guns manufactured and sold are safe."

The American people support federal regulation of guns, Glick noted. A 1999 National Opinion Research Center survey released in July found that two-thirds of Americans want the federal government

to regulate the safety design of guns.

As part of the Joyce Foundation project, CFAF has awarded mini-grants to six of its member organizations to work on the issue of regulating guns as consumer products (with plans to add four additional organizations by next year).

As part of the training CFAF provides to grant recipients, it released *Regulating Guns as Consumer Products: A Community Leader Kit for Change*. The kit will be expanded and improved to serve a more general audience.

The brochure, *Which One is More Regulated?*, can be ordered in bulk free of charge from CFAF by emailing Glick at [sglick@consumerfed.org](mailto:sglick@consumerfed.org).

## FDA Urged To Strengthen GM Food Regulation

A Food and Drug Administration plan to strengthen regulation of genetically modified foods does not go far enough, according to CFA and the Center for Science in the Public Interest.

The groups wrote to the FDA in August urging it to adopt "more sweeping" changes in its regulations.

In May the agency announced its intention to require companies to notify the agency of their intent to market genetically modified foods and to submit specific information for agency review.

"The FDA's proposal would not create the type of system that the public deserves—a fair, transparent, mandatory pre-market approval or certification process that includes an opportunity for

meaningful public input," said Carol Tucker Foreman, Director of CFA's Food Policy Institute.

In their letter, CFA and CSPI outlined the elements necessary to ensure that the process is "thorough, scientifically accurate, fair, and transparent."

Companies should be required to apply for formal FDA approval, certification, or comparable written permission to market genetically modified foods. And that permission should come only after a timely review of the application by the agency, including an opportunity for public comment.

All pertinent non-confidential information should be included in the public docket. And the agency's final decision, along with an explanation of the decision, should be published in the Federal Register.

"By taking these steps, the FDA would both enhance the quality of its scientific review and help quell consumer concerns about the rigor and openness of the agency's activities," Tucker Foreman said.

## Ban Sought on Bath Seats

CFA and eight other consumer and safety organizations petitioned the Consumer Product Safety Commission in July to ban infant bath seats.

Citing continued deaths and a deadly misperception by parents and caregivers that the products are safe, the groups asked CPSC to reconsider its 1994 vote against rule-making.

(Continued on Page 3)

## CFA Applauds Decision To Tap Into Oil Reserves

The president announced in September that he would draw oil from the nation's emergency oil reserve in an effort to bring down skyrocketing crude oil prices before winter sets in. With oil prices at their highest level since the Persian Gulf War, CFA has repeatedly called on the president to release oil from the Strategic Petroleum Reserve.

"We are nearing a crisis situation," said CFA Chairman Sen. Howard Metzenbaum (Ret.). "I applaud the president for moving decisively to provide relief to beleaguered consumers. This isn't the only measure the U.S. needs to take to decrease our dependence on OPEC oil, conserve energy, and bring down prices, but it is a good first step."

Crude oil prices have more than tripled from December of 1998 to mid-September of this year, from less than \$11 a barrel to over \$35 a barrel. Although the Organization of Petroleum Exporting Nations (OPEC) recently announced its intention to increase production by 800,000 barrels a day worldwide, most analysts agree that will not be enough to stabilize prices.

As a result, the Energy Department has predicted that heating oil prices this winter will be 30 percent higher than a year ago, when price spikes sent costs soaring above \$2 a gallon. "That kind of increase could be catastrophic for low and moderate income consumers in the Northeast, who depend on heating oil to stay warm, especially if the weather is harsh," Sen. Metzenbaum wrote in a September 13 letter to the president.

"An oil reserve cannot actually bring down prices that are hurting vulnerable consumers and damaging the economy if it is not used," he added. "If a sufficient amount of oil were released right now from the Strategic Petroleum Reserve, it would provide immediate relief to beleaguered gasoline consumers and help prevent dangerously high heating oil prices this winter."

Sen. Metzenbaum urged the release of two million barrels a day for at least 30 days. The president's plan calls for just half that amount—one million barrels a day for 30 days.

"Our hope is that the release of oil from the Reserve will send a very strong signal to the oil market," Metzenbaum said. "Until now, consumers have been at the mercy of OPEC and the major oil companies. We will soon see if the release is big enough to begin to stabilize gasoline and heating oil prices."

"Over the long term," he added, "the United States should obviously take additional steps to decrease our reliance on fossil fuels and foreign oil, such as increasing automobile and light truck fuel economy standards."

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