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CONSUMER FEDERATION OF AMERICA

Congress Flunks Early Enron Tests

With three key votes in April, Congress showed it was more interested in talking about Enron than in producing real reforms for investors, energy consumers, or workers.

"House and Senate committees have held endless hearings in the wake of the Enron collapse, exposing massive evidence of the need for fundamental reforms," said CFA Director of Investor Protection Barbara Roper, "but when it came time to vote on legislation, it was business as usual."

On the central issue of auditor oversight and independence, House Republicans beat back all efforts to adopt a strong reform package, both during Financial Services Committee markup and on the House floor.

Instead, first the committee and then the full House adopted weak, industry-backed legislation that offers the the appearance, but not the reality, of reform.

"The House had an opportunity, and a responsibility, to restore real integrity to the system of outside audits of public companies," Roper said.

"Instead, they pushed through a bill that does nothing to ensure the independence of the audit beyond the meager steps the accounting firms are willing to take voluntarily and little to ensure that the new accounting regulator it creates won't be just another puppet of the industry," she said.

Strong Audit Reform Amendments Rejected

Rep. John LaFalce (D-NY) and other committee Democrats offered amendments during markup that would have:

- ensured that the newly created accounting regulatory board would have strong, independent governance, independent funding, real investigatory and enforcement power, and broad standard-setting authority;
- enhanced auditor independence by significantly expanding the ban on non-audit services that can be provided to audit clients, imposing a cooling off period requiring a change of auditor when a company hires a member of the audit firm to certain key positions, and reducing audit client influence over the auditor by requiring mandatory rotation of auditors;
- extended the statute of limitations and restored private aiding and abetting liability for securities fraud lawsuits;
- enhanced the independence of corporate board members;
- toughened sanctions against corporate officers and directors who are guilty of misleading disclosure; and
- strengthened rules regarding analyst conflicts of interest.

A more limited group of amendments, on improved oversight, analyst conflicts, and corporate governance, was offered on the House floor.

In both committee and on the House floor, all significant pro-investor amendments were defeated, most along largely party lines.

"Thanks to the leadership of Rep.LaFalce, the House had every opportunity to pass legislation that would have provided a strong package of reforms," Roper said.

"Unless this bill is strengthened in the Senate, investors will have no reason to regain their trust in the reliability of corporate disclosures," she added.

The Senate Banking Committee was reportedly nearing markup on a somewhat stronger audit reform bill as this issue of the newsletter went to press.

Derivatives Reform Defeated in Senate

The Senate has already shown itself to be unreliable in its support for post-Enron reforms, however.

An amendment to restore federal oversight of the over-the-counter energy derivatives market was blocked by a Republican-led filibuster and defeated on a 48-50 cloture vote early in April.

The amendment, sponsored by Sen. Dianne Feinstein (D-CA) and Sen. Peter Fitzgerald (R-IL), was designed to repeal an exemption from regulation for electronic trading platforms and the over-the-counter market for derivatives based on commodities such as energy.

Enron and its allies had succeeded in winning the exemption when the Commodity Futures Modernization Act was passed in 2000.

In order to restore much needed transparency and oversight to this market, the Feinstein-Fitzgerald amendment would have restored federal anti-fraud authority and imposed registration, reporting, and capital requirements on commodity-based derivatives.

"This amendment would have brought greater stability and transparency to the over-the-counter market in energy derivatives," said Legislative Director Travis Plunkett. "The failure of the Senate to adopt this basic reform is a sign of just how little Congress is willing to do to fix the problems that helped lead to Enron's collapse."

House Passes Pension Bill

The same day the House Financial Services Committee began its audit bill markup, the full House first rejected 187-232 a Democratic bill to provide strong pension reform, then passed a bill with scaled back protections on a 255-163 vote.

Both bills would give workers more notice of blackout periods during which pension accounts are frozen and bar executives from selling stock while a freeze is in place. However, the Democratic bill included stronger protections in a number of key areas.

On the issue of over-concentration of retirement plan assets in company stock, for example, the Democratic bill, introduced by Rep. George Miller (D-CA), would have given workers the right to sell off company stock as soon as they completed three years of work with a company.

In contrast, under bill adopted in the House, employees could be forced to hold the stock for three years after the matching contribution was made.

Worse, the bill also exposes workers to new risks, by scaling back rules aimed at ensuring that executives and lower-paid employees are treated the same in retirement plans and by allowing 401(k) providers with a financial stake in the products they recommend to offer "advice" to retirement plan participants.

"The House had a chance to show it was serious about protecting workers' pensions, and instead it packaged weak reforms with special favors for business," Roper said. "American workers deserve better from their representatives."

On the **Web**
www.consumerfed.org/enron_markupltr041002.PDF
www.enronwatchdog.org

Deal on Drug Law Sells Out Safety

After months of secret negotiations, the Food and Drug Administration and the drug industry reached an agreement on goals for the Prescription Drug User Fee Act reauthorization bill that will undermine rather than enhance drug safety.

Key members of both the Senate and the House have expressed a desire to incorporate this agreement into unrelated bioterrorism legislation, which is currently in conference committee.

"It looks like Congress may try to pull a fast one by slipping through one of the most important health and safety bills of the decade without public hearings, committee mark-ups, or serious debate," said CFA Legislative Director Travis Plunkett. "By quietly attaching PDUFA reauthorization to the bioterrorism bill, they will be essentially shutting the public out of the process."

If approved by Congress, as expected, the bill will provide an additional $80 to $100 million in industry money to fund the agency..

However, the vast majority of this funding will be earmarked for FDA review of new drugs, not for oversight of safety once drugs are offered for sale ("post-marketing surveillance"). Moreover, significant strings would be attached to the use of this money.

For example, under the agreement, FDA could only spend user fees on post-marketing surveillance of drugs approved after October of this year, and then for only two years after most of these drugs are on the market.

Moreover, FDA has virtually no enforcement power under current law to ensure that companies perform safety studies or properly implement post-market safety plans, and the bill does nothing to change that. CFA has supported granting FDA the ability to assess civil monetary fines and to subpoena documents in order to improve its enforcement authority.

The deal has other serious shortcomings, as well.

For example, consumer and patient advocates have long expressed concern that PDUFA's emphasis on speedy approvals, rather than public health, has contributed to the unprecedented number of widely used drugs that have had to be withdrawn for safety reasons in recent years.

Instead of giving the FDA more flexibility, however, the deal worked out between FDA and industry would require the agency to meet additional decision-making deadlines earlier in the drug review process.

It also threatens to drain resources from other crucial FDA safety priorities, to produce less careful new drug reviews, to inhibit the ability of FDA to adequately police direct-to-consumer advertisements, and to increase the use of outside "consultants" approved by manufacturers in the drug and biologic review process.

"Not only does this agreement not provide FDA with the resources it needs to monitor drug safety, it continues to allow drug companies to have inappropriate influence over FDA's drug safety activities," Plunkett said.

Guest Offers Lessons for the Consumer Movement

The new president of Consumers Union outlined five lessons for the consumer movement in a keynote address at CFA's Consumer Assembly 2002.

Recent "breaches of consumer welfare and the public trust" — such as the Ford-Firestone debacle, the California energy crisis, and the Enron-Andersen scandal — "demonstrate all too clearly the need for consumer watchdogs and for strong vigilant oversight of the marketplace," said Jim Guest, who has been president of CU for about a year.

Guest's first lesson for consumer advocates was a positive one — that "the consumer movement is absolutely essential to push for a fair and just marketplace for all consumers, and we've made a huge impact."

He cited as evidence of progress rising living standards, plunging death rates from disease, rising real incomes, improved quality and variety of foods, the ability of average Americans to afford electric lights, telephones, and motor vehicles, greater choice of products and services, improving product reliability, and more.

"The consumer movement has had a lot to do with all of this," Guest asserted. "Substantial gains have been made, in great measure because the consumer movement has contributed to a more prosperous, stable economy, a more dynamic, competitive marketplace, and a stronger government role in protecting the consumer interest."

Effective Oversight Needed

Guest's second lesson was that, "in markets where corporations lack effective incentives to regulate their own conduct responsibly, or where health, safety, and other special concerns are at issue, we need effective public oversight."

CU President Jim Guest

"The market system is not organized to promote public welfare or the well-being of consumers," Guest said, "it's organized to promote private financial gain.

"Certainly, in cases where markets are truly competitive, marketplace forces can provide substantial public benefits," he added. "But market mechanisms by themselves are insufficient to promote consumer health and safety, provide social equity, protect vulnerable consumers on low or fixed incomes, or preserve the environment."

For that, "government safeguards and oversight are needed," he said.

Guest suggested as his third lesson, however, that "there are serious holes in our product safety net and consumer protection infrastructure. We must give public watchdog agencies the resources, authority, and public support to be effective."

"In a market economy, investment in the consumer protection infrastructure should be as critical as investment in physical infrastructure," he said. Too often, however, the "holes in our product safety or financial regulation practices" get fixed only slowly or not at all, he said.

To solve that problem, we need to: provide adequate staffing and funding for consumer protection agencies, give them adequate legal authority, make safety information transparent and public, improve the effectiveness of product recalls, and appoint qualified regulators.

Movement Must Advocate for Vulnerable Consumers

In his fourth lesson, Guest called on the consumer movement to recognize that "too many consumers still cannot afford the basic necessities of life" and "intensify the fight for affordable goods and services, fair financial practices, and a society in which all Americans and their families have a fair chance at a decent living."

"For those without that chance, government must provide," he added.

Needed public policy changes "to give financially strapped and struggling consumers a fighting chance" include: raising the minimum wage and benefits provided through the Earned Income Tax Credit, expanding the availability of low-income energy assistance, requiring banks to offer low-cost transaction accounts, establishing a universal health care system, passing a Medicare prescription drug benefit, and showing "zero tolerance for predatory financial practices that harm low and moderate-income families."

Over-Consumption Must Be Curbed

As his final lesson, Guest offered a warning that "We in America must curb wasteful over-consumption that threatens the environment before it's too late."

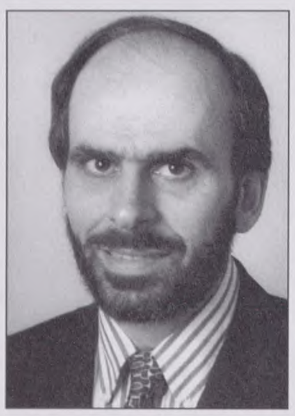
To accomplish that goal, we need to "encourage more sustainable consumption practices," by encouring manufacturers to design and sell products that are more durable, economical, and sustainable; by promoting informed consumer choice and behavior; and by "creating government regulatory and economic policies and incentives that support, and in certain cases require, these changes among consumers and manufacturers."

"This is a time of both crisis and opportunity," Guest concluded. "There is a long agenda that we in the consumer movement have before us.

"We have an enormous opportunity to make fundamental, enduring improvements in the welfare of consumers here and around the world. It's our responsibility to deliver on that opportunity."

Shift Seen in Public's View about the Role of Government

The country is currently experiencing a fundamental shift in the public's view of the role of government, political analyst Gerald Seib said in a luncheon speech at Consumer Assembly 2002.



Wall Street Journal Washington Bureau Chief Gerald Seib

Seib, who is Washington, D.C. bureau chief for the *Wall Street Journal*, described the last six to nine months as "a kind of a perfect storm for those who wanted to pursue further deregulation."

The Democratic takeover of the Senate, the recession, September's terrorist attack, and the collapse of Enron have prompted a reevaluation of the deregulatory agenda in particular and of the role of government in general, he said.

"The yearning we all feel for homeland security has made us more open to the idea of government involved in our lives. The slumping economy has prompted both parties in Congress to look for ways government could do something about it.

"And then came Enron. The leading disciple and symbol of deregulation collapses while the regulators were clueless about what it was doing," he said.

Seib pointed to a number of signs that attitudes among policymakers are shifting as a result. These include:

- the prominent role of Rep. Billy Tauzin (R-LA), a long-time friend to both Enron and the accounting industry, as the lead congressional investigator of the Enron-Andersen scandal;
- the leadership of Sen. Christopher Dodd (D-CT), "for years a very reliable frind of the accounting industry," in crafting legislation to strengthen regulation of accounting; and
- a recent statement by conservative commentator George Will that "a secure capitalist economy is a government project."

Legislative Agenda Changes in Response

The practical effects, he said, can be seen in the revival of campaign finance legislation, the return of pension reform "to the front burner," and the willingness of Congress to consider regulation of derivatives and accountants.

In addition, Seib said, "President Bush is probably having to trim his sails a little bit in his efforts to pass tort reform."

He cautioned, however, that "this is hardly a univeral reregulation urge. You have to be careful not to overstate the case."

"I'm not suggesting that the pendulum is swinging all the way back, but I think the mood is different," he added.

President Bush Likely To Adapt

That changing mood "puts President Bush in a very interesting position," Seib said, since it creates an "obstacle in the way of his seeing the domestic agenda materialize."

That is, in part, an obstacle of his own making, Seib noted, since, in mounting the war on terrorism, "he's had to make the point that government can do some things right." That message "cuts against his agenda in other areas."

Seib predicted, however, that President Bush would adapt more easily to the new environment than many others in his party, since "he always envisioned using government in very limited ways to achieve his goals."

Only time will tell how significant the change has really been, Seib concluded. "It's a time of flexibility and probably a pivot point. The next six months will give us a good idea of how far these trends are likely to go."

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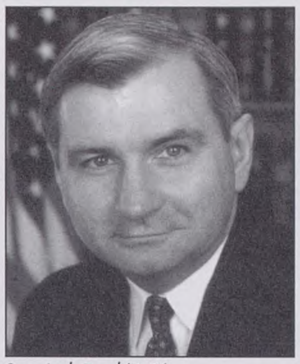
Members of Congress Outline Consumer Priorities



Sen. Jack Reed (D-RI)

Rep. Richard Baker (R-LA)

Rep. Melvin Watt (D-NC)

Three members of Congress — Sen. Jack Reed (D-RI), Rep. Melvin Watt (D-NC), and Rep. Richard Baker (R-LA) — delivered keynote speeches at Consumer Assembly in which they presented a diverse list of consumer issues on the congressional agenda.

The Senate was in the middle of debating the energy bill, and had just defeated an amendment to strengthen Corporate Average Fuel Efficiency standards, when Sen. Reed delivered his speech.

Increasing CAFE standards is "the most practical, direct way to reduce our dependence on fossil fuels and foreign oil" and thus protect national security, he said. "It seems to me to be a no brainer."

The Senate vote made clear, however, that "we're not going to have meaningful CAFE reform this year," he said.

On a somewhat more optimistic note, Sen. Reed said he had received a commitment from Senate Majority Leader Tom Daschle (D-SD) to bring his bill to close the gunshow loophole to the floor for a vote this year.

Describing the bill as offering "a sensible set of rules which do not prevent law-abiding people from purchasing guns," Sen. Reed nonetheless acknowledged that winning its passage would be "an uphill battle."

He also raised questions about the process in which decisions about the Prescription Drug User Fee Act were being made, with the Food and Drug Administration meeting privately with the pharmaceutical industry to work out a deal.

Sen. Reed pledged to work "to ensure that, if we do pass PDUFA reauthorization legislation ... it will represent not just the drug industry's viewpoint, but also the views of consumers."

Baker Advocates Financial Reforms

Rep. Baker, who chairs the House Capital Markets Subcommittee, discussed initiatives to improve audits of public companies, improve the timeliness and quality of corporate disclosures, and reform the Government Sponsored Enterprises.

Echoing a concern raised by Securities and Exchange Commission Chairman Harvey Pitt, Rep. Baker expressed his commitment to bring about "real-time, transparent disclosure with more forward-looking statements as the goal."

"Every investor, whether they invest $200 or $200,000 should have access to ... accurate information at the same time as any other market participant," he said.

In addition, Rep. Baker offered several suggestions for strengthening the backbone of corporate auditors, including: requiring auditors to swear under oath that no member of management had caused them to modify the financial statement, and providing an office at the SEC to evaluate disputes between auditors and their clients before financial statements are filed.

When companies are forced to restate earnings because of errors, corporate managers that are found to have profited by manipulating the stock price should be required to disgorge those funds, he added.

"What we do not wish to see is the manipulation of market practice to the benefit of the few and to the cost of the many," he said.

On the issues of corporate governance and audit reform, Rep. Baker expressed confidence that Republicans and consumer advocates have a similar agenda, even if they do not always agree on the specifics.

"We are at least on the same track," he said. "We are not in the same car yet."

A longtime critic of Fannie Mae and Freddie Mac, Rep. Baker expressed some skepticism about the benefits provided by the housing GSEs and raised concerns about the adequacy of their regulation.

"The risks they take are not fully disclosed, and the regulator they have has not been on the top of its game," he said.

Furthermore, banks are doing a better job than the GSEs of meeting the needs of low and moderate income consumers for mortgage loans, Rep. Baker said. "We're paying a lot of money in order to facilitate home ownership, and we're not getting a lot back," he said.

Watt Says House Unlikely To Pass Reforms

Rep. Watt was the least optimistic of the three congressional speakers. He said that, under its current leadership, the House of Representatives is unlikely to produce any meaningful reforms for consumers.

"I think we're seeing attention to things as a reactionary proposition, much more so than we see attention to things on a proactive basis," he said.

He cited as an example financial privacy, where the need to beef up protections in the Gramm-Leach-Bliley bill is raised repeatedly without producing any legislative action.

"I think the instance in which we beef up the privacy protections in this bill will be the first time some banker or financial institution does something really egregious," Rep. Watt said.

"I feel confident that at some point that is going to happen," he added. "That will cause a reactive response."

"It almost takes an Enron to spark an interest in how you solve problems that should have been solved in the normal course of events if we had been thinking about what could happen," he said.

The best thing that can be said about Enron, he added, is that it has "started a debate about what kind of rules we should have going forward for investor protection," when the trend in Congress since 1995 "has been absolutely in the opposite direction."

Nonetheless, he said the most he expects out of the debate is "some modest improvements in the standards."

Rep. Watt expressed similar skepticism that Congress would produce beneficial consumer legislation on other consumer issues before it, including rent-to-own, payday lending, bankruptcy, privacy, closing the gunshow loophole, and mandatory arbitration.

He nonetheless said consumer activism at the federal level "is very important."

"Talking to your representatives is very important," he added. "It's important to talk to them even if they don't necessarily agree with you."

He also expressed some optimism over what it is possible to accomplish at the state level.

"It's not always the best thing to push everything to the federal level," he said. "Some of the best stuff on consumer issues is coming out of the North Carolina state legislature."

FTC Chairman Pledges Continuity of Focus

FTC Chairman Timothy Muris

There will be no radical change in approach at the Federal Trade Commission in the Bush administration, FTC Chairman Timothy Muris said in a Consumer Assembly 2002 keynote address.

"Continuity is the watchword," he said. "The FTC I inherited had the right focus," he added, saying he would "make sure that we build on the excellent record of my predecessors."

In the area of consumer protection, the agency will continue to focus on both enforcement and education, he said. "Scam artists are an ingenious bunch. We need to be diligent, not only in shutting them down, but in educating and alerting people to signs of fraud."

Agency Priorities Outlined

Among the consumer protection priorities he outlined were:

- Greater use of criminal prosecutions. "Career criminals need to be put in jail," he said.
- Both working with other governments and using U.S. authority to go after international crooks who take advantage of U.S. citizens.
- Bringing major cases in the area of mortgage lending fraud, "especially in the subprime market," and seeking redress for victims, but also educating consumers to make better decisions and simplifying the loan closing process. "Law enforcement alone won't solve the problem," he said.

Privacy will also be a priority, he said. "I realize how important privacy is and how important it is for the FTC to be visible on this issue."

Efforts underway include creation of a "one-stop, national do not call registry," bringing enforcement cases against "spam," particularly when it is targeted at children, working with criminal authorities to get identity theft cases prosecuted, and working with businesses to promote sound data security practices.

FTC-DOJ Agreement Defended

In the area of antitrust enforcement, Muris defended the controversial agreement between FTC and the antitrust division at Department of Justice as a result of which FTC gave up its merger review authority for mergers in the communications industry.

When the two departments shared authority, disputes were constant and intense, he said. "The clearance process was becoming an unmanageable, contentious, poisonous process."

Muris said the agreement is a good one for his agency. "However much we would like the FTC to do more, the world we live in is one where I have to share jurisdiction with the Department of Justice," he said.

The agency will focus its antitrust activities in the areas of: pharmaceuticals, looking at practices firms engage in to prevent competition from generics; health care, including doctors, hospitals, and insurance companies; opposing state legislation that would restrict competition; and holding hearings to examine the "relationships between intellectual property and antitrust and how those two important doctrines can co-exist."

"It's an exciting time at the FTC," Muris concluded. "We have an aggressive agenda. We're not going to agree on everything, but we're going to agree a lot more than we disagree."

Terrorism Increases Interest in Saving, Planning

The events of September 11 have had a sobering effect on consumers, increasing their interest in saving, debt repayment, and financial planning, according to two recent surveys co-sponsored by CFA as part of the America Saves campaign.

The first of those surveys, released with Bank of America in March, accompanied the launch of an interactive America Saves website (www.AmericaSaves.org) and announcement of free membership for individuals in America Saves. These and related services are funded by a new $200,000 Bank of America Foundation grant.

The second survey, released in April with the Financial Planning Association (FPA), accompanied the announcement of a new free financial advice service for members of America Saves.

The CFA-Bank of America survey asked whether respondents were more or less interested in personal savings, debt repayment, luxury purchases, and lottery ticket purchases since the events of September 11.

It found that 33 percent of respondents had more interest in personal savings, compared with 9 percent who had less interest, and 25 percent had more interest in debt payment, compared with 11 percent who had less interest.

Similarly, 36 percent had less interest in luxury purchases and 29 percent had less interest in lottery ticket purchases, compared with 6 and 5 percent respectively who had more interest in such purchases.

"Those who speculated that terrorism would encourage Americans to spend more freely and save less were clearly wrong," said CFA Executive Director Stephen Brobeck.

Financial Confidence Grows

The increased interest of consumers in saving and debt repayment may help explain the fact that they are less worried about their financial status today.

Asked whether they were more or less worried than they were a year ago about the security of their income, the adequacy of their income, the amount of their consumer debt, and the amount of their savings, more said they were less worried.

"Given the economic slowdown, the terrorist attacks, and the Enron debacle, this increased consumer confidence in their own financial condition is surprising," said Lynn Reaser, Chief Economist for Banc of America Capital Management. "It may well largely reflect the fact that many have decided to live their financial lives more prudently," she said.

Nearly all Americans (92 percent) consider financial planning to be important personally, according to the CFA-FPA survey, and more than half of Americans (55 percent) consider financial planning to be more important to them personally now than they did a year ago.

Americans who are interested in saving, debt reduction, and planning will find support in new services available as part of the America Saves campaign, which seeks to encourage and assist individuals to save and build wealth more effectively.

The program was developed through local campaigns, which have been launched in Cleveland and Kansas City and are in the planning stages in a number of other communities.

America Saves Expands Services

For the first time, membership is now also available to those who live outside the areas served by local campaigns.

Like participants in local campaigns, individuals who wish to enroll as an American Saver must develop a simple plan to achieve a wealth building goal, such as building an emergency fund, reducing debt, or saving for retirement.

They can submit their plans either through the website or using a form that is part of a free pamphlet, Build Wealth, Not Debt. (To order, send a self-addressed, stamped envelope to America Saves, P.O. Box 12099, Washington, D.C. 20005-0999.)

After submitting their plan, Savers receive free information about savings options and strategies as well as a free subscription to the quarterly newsletter, *American Saver.*

Savers are also eligible to receive free financial advice, by phone or email, on topics ranging from budgeting and debt management to investments and retirement planning.

The advisory service was developed by FPA and is being undertaken by approximately 500 volunteer financial planners who belong to the association. It is being offered through FPA's National Financial Planning Support Center.

Savers who call or email the Support Center will communicate with a specialist who will forward questions to a planner. The planner will then contact the Saver and arrange a convenient time to converse by phone or e-mail.

Participating volunteer planners must sign a letter of understanding that they will meet all regulatory and ethical obligations.

In addition, these planners must agree to provide financial advice for free and "not pursue a continued financial planning business relationship unless proactively requested by the participant."

"Our free financial advice reflects our commitment to broaden the availability of financial planning services to all Americans, not just to the very affluent," said FPA President Bob Barry, CFP .

"For more than a decade, CFA has emphasized the growing need of lower- and middle-income Americans for financial planning services," Brobeck said. "We congratulate the Financial Planning Association for helping meet this need by assisting American Savers."

On the **Web**
www.AmericaSaves.org
www.consumerfed.org/amsaves_030502.pdf
www.consumerfed.org/financialplanning_pr040202.PDF

President Reignites Debate Over Terrorism Insurance

The president reignited the debate over terror insurance legislation in April, with a misguided call for Congress to pass a terrorism insurance bill on the grounds that lack of affordable insurance is becoming a drag on the economy.

"The president proposes to give away insurance worth tens of billions to an industry that is flush and on the cusp of huge profit increases," said CFA Legislative Director Travis Plunkett. "But the rate problem the president cites as justification is the result of a classic turn in the economic cycle of the industry, which has been accelerated by — but not caused by — the terrorist attacks."

What is needed instead, according to CFA and Consumers Union (CU), is for the president to "spur the creation of private alternatives to the over-priced insurance of today's market." They called on Congress and the president to "create incentives that would hasten the development of affordable terror insurance alternatives," by:

- expanding the Liability Risk Retention Act to cover all commercial property/casualty insurance and personal lines;
- determining if there are any tax disincentives for the development of captive insurance or self-insurance mechanisms; and
- developing proposals to encourage the securitization of risk.

"In an attempt to justify taxpayer assistance for insurers, the president is overlooking evidence that a dynamic market for terror insurance is developing," Plunkett said.

CFA and CU noted that many larger firms — including those that are at highest risk of being targeted in future terrorist attacks — are finding ways to obtain terrorism coverage. Banks are loaning money to the vast majority of all businesses, ragardless of whether terror coverage is available. And insurers are in a better financial position than before September 11 to handle future terroism losses.

"The economic collapse predicted by the insurance industry has not happened, which calls into question whether these new threats are real and whether a taxpayer bailout is needed," said CU Legislative Counsel Frank Torres. "Neither the president nor the insurance industry has proven their case."

As this issue of the newsletter went to press, the Senate was preparing to bring a terrorism insurance bill to the floor for a vote.

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http://www.consumerfed.org/president-terror-insurancepr040902.PDF

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