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Terrorist Attack Alters Legislative Agenda

The terrorist attack that destroyed the World Trade Center, severely damaged the Pentagon, and left thousands dead also put at least a temporary stop to politics as usual on Capitol Hill.

Concerns about improving national security and reviving the faltering economy quickly swept aside previous high priority issues, such as a patients' bill of rights and Social Security reform.

A highly charged, partisan debate over how to use the budget surplus was replaced by a somewhat more cooperative approach to determining appropriate funding priorities.

And, overall, members of Congress expressed determination to put aside partisanship and show a united front on key legislative issues (although cracks in that resolve were quick to emerge).

By October, the anthrax scare in the nation's capitol, which temporarily drove members and their staffs from their offices, had further complicated the legislative picture.

As a result, CFA Legislative Director Travis Plunkett predicted that the vast majority of consumer issues will receive little serious attention this year.

"The terrorist attack has turned Congress's agenda and normal way of doing business upside down," Plunkett said.

"In some cases, where Congress was poised to pass harmful legislation, delay has actually been a good thing for consumers. In others, serious consumer issues simply cannot gain attention in a crowded congressional agenda," he said.

There are also new issues being debated as a result of the attack that have serious implications for consumers.

These include both how any bailout of affected industries, such as aviation and insurance, will be structured, the privacy implications of new security measures, and food safety implications of new initiatives to combat bioterrorism.

Consumers Have Stake in Airline Bailout

Shortly after the terrorist attack, for example, CFA testified before the Senate Commerce Committee on an appropriate approach to assisting the airline industry.

CFA supported "a limited infusion of cash" to compensate airlines for losses related to the week-long shutdown of air travel and to keep the airline industry afloat during the period of national emergency.

However, CFA Research Director Mark Cooper also made the case that Congress "needs to inject rationality into the way this industry does business."

He noted that the airline industry was in serious trouble before the disaster. "This is an opportunity to ensure that the airline industry that emerges from this national crisis is safer, more competitive, and more focused on consumer protection," he said.

Congress cleared a bill September 21 that provides $5 billion in direct aid to airlines and up to $10 billion in loan guarantees.

How those funds are awarded will in part determine the outcome for consumers, Cooper said. Other issues are being addressed during debates over airline security, support for displaced airline workers, and other infrastructure security issues, he said.

A Reasonable Approach to Liability

In keeping with a key point of the CFA testimony, the bill cleared in September provides airlines with some liability protections, but does so without eliminating the ability of victims to collect damages.

"It is appropriate to consider legal relief for the airlines from what could be devastating damages from this tragedy," said CFA Insurance Director J. Robert Hunter. "But we must be very cautious when considering deep cuts in the rights of people to seek redress for injuries."

Instead of simply providing the airlines with blanket immunity from liability, as some had proposed, the bill eliminates punitive damages for suits related to the terrorist attack but preserves the right of victims to sue.

It also limits airlines' total liability, protects airlines from devastating premium increases, and effectively makes the gov-

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Electricity Restructuring Has Serious Flaws

Despite predictions of huge rate reductions in states that have restructured electricity service, consumers there are paying higher prices and receiving less reliable service than consumers in states that have not restructured, according to a recent CFA report.

"Consumers have been subjected to rate hikes and lack of competition not just in California, but also in New York, Pennsylvania, and other states that have restructured," said CFA Research Director Mark Cooper.

Furthermore, policymakers now face the prospect that the costs of ensuring retail competition in electricity markets will greatly exceed any efficiency gains, so electricity prices will rise, not decline.

"Only a dramatic change in approach by federal and state policymakers can offer consumers the possibility of lower prices and better service," Cooper said.

The report, "Electricity Deregulation and Consumers: Lessons from a Hot Spring and a Cool Summer," documents the problems in key restructuring states.

In California, energy suppliers' withholding of electricity and price manipulation quadrupled wholesale prices and threatened blackouts in the summer. The blackouts were largely avoided only by a combination of aggressive measures against market manipulation, conservation, and cool weather.

In New York, summer rate hikes of 40 percent for Con Ed's residential ratepayers combined with threatened blackouts to force dramatic regulatory interventions, including price caps. A cool summer provided additional breathing room.

In Pennsylvania, the supposed model for successful restructuring, the end of temporary regulatory rate cuts and a rise in natural gas prices pushed up prices and pushed out competitors. Nearly three-quarters of firms offering competitive residential services withdrew.

An additional 22 states are currently restructuring. Among the early starters, like Massachusetts and Montana, consumer costs have been increasing dramatically.

Structural Factors Cause Problems

These failures are caused by structural problems, according to Cooper, including:

- highly concentrated generation markets that breed price gouging and hoarding;
- increasing cost of capital for new plants and windfall profits transferred to utilities on their old plants;
- a transmission grid that was not designed to support competitive markets and has inadequate capacity to do so;
- a transmission grid owned by utilities who often refuse to let their part of the grid be operated in the open, non-discriminatory manner needed to allow competition; and
- loss of efficiency resulting from de-integration of an industry that requires high levels of coordination and cooperation.

"California policymakers made some bad decisions, but they are not entirely responsible for the state's energy crisis," Cooper said. "Exploitive energy suppliers and irresponsible federal regulators also played major roles."

Drastic Remedies Are Needed

For example, the Federal Energy Regulatory Commission (FERC) has been defining markets as workably competitive when there are five equal size competitors in a broadly defined market. However, the empirical literature shows that there must be at least ten equal-size competitors in narrowly defined markets to support competition.

Reserve margins must also be much larger than previously thought. In addition to operating reserves, which have traditionally been set at 15 to 20 percent, competitive markets need an economic reserve to discipline price abuses of an additional 10 to 20 percent.

The transmission system must be independent of all generator interests and operated by an entity whose sole purpose is to promote the public interest. And, because the transmission wires are natural monopolies, companies owning the wires must be closely regulated to prevent them from earning windfall profits.

Finally, an obligation to serve customers without an obligation to build energy facilities is "a prescription for disaster," Cooper said. "It is too easy for spot market traders to exploit utilities that are desperate for power."

Regulators Urged To Take Effective Action

"We see no prospect that policy makers will address underlying problems in electricity markets in the near future," Cooper said.

CFA therefore recommends that any state that has not restructured refrain from doing so, and that states that can slow down or stop the restructuring process do so immediately.

States that do move ahead with restructuring should reorient their approach to competitive bidding for long-term supply and avoid spot markets, Cooper said.

Federal regulators, meanwhile, should ensure competitive interstate wholesale markets and an open "interstate highway system for electrons" with adequate capacity, he said.

They must also restore public confidence in their ability to identify, investigate, and ameliorate market manipulation.

"Without effectively competitive wholesale markets, state restructuring is doomed to fail," Cooper said. "Since wholesale markets cross state borders and almost all states are too small, individually, to constitute effective wholesale electricity markets, the federal government must lay the groundwork for competitive markets."

The full report is available on the CFA website at http://www.consumerfed.org/erspring.pdf.

Securities Analyst Conflict Rules Needed

Voluntary industry proposals to address securities analyst conflicts of interest are unlikely to be effective in eradicating the problem, consumer groups recently warned members of the House Capital Markets Subcommittee.

"Substantial conflicts of interest are deeply embedded in the structure and practices of Wall Street firms. Voluntary industry guidelines will do little to change behavior," concluded CFA, Consumers Union (CU), Consumer Action (CA), and U.S. Public Interest Research Group (U.S. PIRG).

Although securities analysts are supposed to provide objective assessments of the publicly traded corporations they cover, research operations are often used by Wall Street firms to attract and keep investment banking clients.

With such conflicts of interest receiving heightened attention lately, the Securities Industry Association (SIA) has responded by developing voluntary "best practices," and the Association of Investment Management and Research (AIMR) is working on similar improved standards.

The House Capital Markets Subcommittee created a commission to assess voluntary industry guidelines and invited CFA and CU to participate.

CFA, CU Report Calls for Multi-faceted Reforms

CFA and CU submitted a report with CA and U.S. PIRG expressing skepticism that voluntary guidelines would solve the problem.

"As long as full-service firms earn the bulk of their income from investment banking and proprietary trading, they will find a way to use their in-house research to serve those ends," said CFA Director of Investor Protection Barbara Roper.

Instead, the groups argued, what is needed is a multi-faceted program that: creates incentives for analysts to produce objective research; improves disclosure of conflicts of interest; clarifies the terminology used in analyst recommendations; prohibits practices that create unwarranted conflicts of interest; and supports strong enforcement action against abusive practices.

The primary goal of an effective policy to address research conflicts, they noted, should be to provide a "powerful incentive to provide objective research" by developing and publishing standardized measurements of the success of analysts' recommendations.

"Just as requiring airlines to publish their on-time records helped to improve their on-time performance, requiring analysts and firms to publish research quality ratings would likely encourage them to produce more reliable recommendations," the groups wrote.

Improved Disclosure Needed

The groups also argued for explicit, graphic disclosure of conflicts of interest, instead of the boilerplate that often passes for disclosure today.

CFA, CU, and CA argued that case in comments to the National Association of Securities Dealers (NASD) as well. NASD Regulation has proposed improved disclosure both on analysts' written reports and when research is presented in public appearances.

While applauding NASD for taking the lead on the issue, the groups advocated substantial changes to strengthen the rules.

In particular, the groups argued that disclosures should be labeled as disclosures about conflicts of interest, in order to better insure that they are actually read by investors, and the disclosures themselves should be provided in straightforward terms designed to convey the nature and extent of the conflict.

The groups also advocated that the disclosures apply to oral representations by sales representatives to retail clients, which is likely to be the primary way average investors gain access to research.

"If NASD adopts these changes, this proposal has the potential to provide clear, meaningful warnings on which investors can act," the groups concluded. "Without the changes proposed, however, the rule is likely to be only a tiny, incremental improvement over the existing inadequate disclosure system."

Unfortunately, NASD forwarded the proposed rule to the Securities and Exchange Commission without significant improvements.

Denial of PacBell Long-distance Application Urged

A coalition of consumer groups, seniors groups, and local Internet service providers has called on the California Public Utility Commission to use Pacific Bell's application to offer long distance services to loosen the company's grip on the local phone market.

"California should be leading the country in local phone competition, but instead it's one of the nation's laggards," said CFA Research Director Mark Cooper. "If regulators don't take firm action to boost local competition before PacBell is given the green light to offer long distance, Californians will miss out on hundreds of millions of dollars in savings each year."

At a September event on the commission steps, the groups released a letter outlining their concerns and a study, authored by Cooper, which estimates that California consumers could save as much as $220 million per year on their phone bills if local markets were genuinely open to competition.

The California case is part of a broader, nationwide effort by CFA to encourage state utility commissions to ensure that the local Bell operating companies first be required to meet the appropriate public interest standard before being allowed to offer in-region long distance.

Federal law requires local phone companies to open the market for local phone service to competition before they can offer long-distance service in their home regions.

The law also provides for substantial input from state utilities regulators in determining whether local phone markets are sufficiently open for real competition to take hold.

PacBell Fails Public Interest Test

This "public interest" standard is meant to allow state regulators an opportunity to ensure that state concerns are taken into account before long distance applications are referred to the Federal Communications Commission, which makes the ultimate decision.

In August, CFA filed testimony with the California Public Utility Commission (CPUC) arguing that Pacific Bell, part of SBC, has not yet complied with the requirements of the federal Telecommunications Act of 1996 and therefore should not be allowed to sell long distance service in California.

"Local phone competition in California is nowhere near where it could or should be," Cooper said. "The California PUC should exercise its authority to protect the public interest and not support Pacific Bell's request to provide long distance."

In particular, the testimony noted that:

- the prices that Pacific Bell charges other phone companies to access the local phone network are too high to facilitate real competition;
- access to and testing of essential Operations Support Systems (which allow competitors to take care of customers' installation, maintenance, and billing) is incomplete; and
- there is a severe lack of widespread local phone competition in the state. PacBell currently maintains control over 95 percent of its residential and small business phone market in California.

Before long distance entry is granted, PacBell should be required to demonstrate that its local markets are irreversibly open to competition for at least 90 days, Cooper said.

Steps To Improve Local Market Outlined

In their September letter, the groups outlined several steps the CPUC should take to address deficiencies in California's local telephone market, including:

- stopping wholesale price gouging by lowering the prices that PacBell is allowed to charge competitors for network access and ensuring that all competitors have fair and open access to the telecommunications grid;
- curbing PacBell's unfair business practices through the use of heavy fines;
- securing a promise from PacBell and its parent company, SBC, that it will not try to undermine the Commission's authority on its long distance application through legal action, as has been SBC's strategy in the past; and
- requiring that PacBell and SBC prove that their plans for long distance entry comply with California's four-point public interest test, and that their plans won't harm consumers.

"California regulators – and California electricity consumers – know all too well what happens when you rush to deregulate an industry without complete information, thorough analysis, and a firm commitment to protecting the public," Cooper said.

"Pacific Bell's application merits a thorough and open review by the CPUC because, when regulators stand firm and promote competition, consumers benefit," he added.

CFA's California filing is available on the CFA website at http://www.consumerfed.org/calpubint.pdf. The group letter and study are also on the CFA website at/calif_localcomp_letter_200110.pdf and/calif_localcomp_200110.pdf respectively.

News Briefs

Radon Ad Wins Emmy

The "National Radon Test: Man on the Street" public service announcement developed by the Consumer Federation of America Foundation received the 2000 Community Service Emmy Award from the National Academy of Television Arts and Sciences. Developed under a cooperative agreement with the Environmental Protection Agency, the PSA is part of CFAF's broader campaign to educate the public about the importance of testing for radon and mitigating where high levels are detected.

Tucker Foreman Appointed to Trade Advisory Committee

Carol Tucker Foreman, Director of CFA's Food Policy Institute, was recently appointed to serve on the Agricultural Policy Advisory Committee for Trade. The appointment was announced in September by Agriculture Secretary Ann M. Veneman and U.S. Trade Representative Robert B. Zoellick. The committee provides the Secretary of Agriculture and the U.S. Trade Representative with information and advice on negotiating objectives, bargaining positions, and other matters related to the development, implementation, and administration of U.S. agricultural trade policy.

CFA Receives Cy Pres Award

CFA recently received a court-approved award of more than $80,000. The money was presented to CFA by Seth Lesser of the Bernstein Litowitz Berger & Grossmann law firm in New York. Lesser had represented consumers in a class action lawsuit against a major telecommunications company that had been charging consumers for collect calls based on the time the call was first placed, rather than the time that the parties were actually connected. After the settlement paid out over $11 million to the consumers who had overpaid, $80,000 remained which, upon the parties' suggestion, the court approved to be paid to CFA. CFA plans to use the money for telecommunications advocacy and education.

Energy Efficiency Kit Now on Web

A community leader kit is now available on the web to assist organizations in efforts to increase consumer awareness of the cost-saving, environmental, and health benefits of energy efficiency. The kit – *10 Bright Ideas to Promote Energy Efficiency* – is available at www.buyenergyefficient.org by clicking on Promoting Energy Efficiency in Your Community. It was developed as part of the Consumer Federation of America Foundation's comprehensive energy efficiency project, which is funded by the U.S. Environmental Protection Agency.

Legislative Agenda
(Continued from Page 1)

ernment the airlines' insurer of last resort for acts of terrorism in the near term.

"Punitive damages awards should be allowed against the terrorists and the states that support them, and the State Department should be charged with helping collect any such awards," Hunter said.

"It is bad to limit the rights of New York's fire and police families in any substantial way," he added.

Insurers Over-reach on Reinsurance Bill

CFA has also supported creation of a federal program of terrorism insurance to back up the private insurance sector, but only if it is carefully drafted to protect taxpayer and consumer interests.

Unfortunately, the approach being pushed by industry fails that test, Hunter said, and would unnecessarily expose taxpayers to billions of dollars in risk.

"We have been concerned that insurers would seek a bailout from Congress," Hunter said. "Instead, they have sought a handout."

Hunter urged Congress to adopt as its model the very successful federal riot insurance program from the late 1960s.

Following that model, "reinsurance should be made available directly to insurance companies by the federal government," without the creation of a new mutual insurer, he said.

"Rates should be regulated to assure that they are fair and sound," he added. "And the federal government should have audit rights of claims of each insurer in the nation when taxpayer dollars are backing up that insurer."

As this issue went to press, that legislation was the subject of negotiations between the industry, Congress, and the administration.

A White House bill was being developed that seemed to adopt a better system of payments. However, early reports indicated it might provide the reinsurance at no charge to the industry.

Any such handout would be opposed by CFA, Hunter said.

Bioterrorism Threat Intensifies Food Safety Debate

The threat that the nation's food supply could be the target of bioterrorism has spawned an array of proposals – both old and new – to improve U.S. food safety systems.

"While it is far from clear what the outcome will be, there is no question that food safety measures are getting more attention on the Hill than they would have before anthrax became a reality of life here," said Carol Tucker Foreman, Director of CFA's Food Policy Institute.

Sen. Richard Durbin (D-IL) has reintroduced his legislation to create a single food safety agency, for example, to better coordinate food safety efforts.

The Safe Food Coalition, which is coordinated by CFA, wrote to President Bush in October urging his support for the legislation. That letter cited a National Academy of Sciences report, which concluded that such consolidation is "critical."

At an October hearing, the legislation also garnered support from the General Accounting Office, Food Marketing Institute, former Agriculture Secretary Daniel Glickman, and Center for Science in the Public Interest.

Sen. Hillary Rodham Clinton (D-NY) has introduced the most comprehensive food bioterrorism bill.

That bill, S. 1501, the "Food Safety Bioterrorism Act," would require the Food and Drug Administration (FDA) to determine that countries that wish to ship food to the United States have food safety systems that are at least equivalent to the U.S. system.

The bill would also provide substantially increased funding for the Center for Disease Control's foodborne disease tracking systems, grant mandatory recall authority to FDA, and provide for immediate detention of contaminated food.

In addition, both the White House and Congress have earmarked new funding and authority to prevent bioterrorism. The Office of Management and Budget is expected to give FDA funds from an emergency supplemental appropriation passed after the September 11 attacks to hire a modest number of new inspectors.

However, traditional federal agency turf protection continues to dominate the administration's position, Tucker Foreman said.

Health and Human Services Secretary Tommy Thompson has said $60 million of a $1.5 billion effort to combat bioterrorism would go for food inspection. This money would be spread out across FDA and state and local health departments.

Furthermore, the administration has not, to date, endorsed creating a new agency or providing FDA with additional authority.

Meanwhile, although FDA is developing counter-terrorism and food safety guidelines, it is uncertain when the agency will publish the guidelines. What is certain is that they will not impose any mandatory safety and counter-terrorism regulations, Tucker Foreman said.

"No matter how great the threat, neither the industry nor the FDA are prepared to take the actions necessary to meet it," Tucker Foreman said.

Water Safety Also Gains Attention

The threat of bioterrorism has also raised the profile of water safety issues.

In October, CFA Public Policy Associate Diana Neidle participated in a briefing with federal Clean Water officials. Neidle noted that existing techniques used to detect biological and chemical contaminants are relatively primitive.

As policymakers look for ways to combat a terrorist threat to the nation's water supplies, they should consider requiring adoption of new technologies that allow quicker, more accurate testing for contaminants and better filtration of contaminants, she said.

"Techniques, such as immuno assays and micro- or nano- filtration, exist that would offer dramatically better protection both from the threat of a terrorist attack on the water supply and from naturally occurring contaminants," Neidle said. "It is time for policy makers to seriously consider their adoption."

Privacy Debate Changes Course

The attack also dramatically changed the debate on privacy, from one driven primarily by concern for improving financial and Internet privacy protections, to one reflecting the possible collection of more information by the government in order to enhance security.

CFA's response has been to monitor developments and to ensure that any legislation is balanced and reasonable.

"Unfortunately, we've already seen some companies dust off broad proposals that have been around for years to weaken the limited privacy protections Americans already have," Plunkett said. "That's not the way to have a reasonable discussion about how to improve security without unnecessarily infringing on privacy."

Other issues which had occupied center stage before the attack faced an uncertain future in its wake.

Fate of Some Issues Remains Unclear

The bankruptcy bill, for example, is unlikely to pass this fall, but could be considered again early next year.

"Most members of Congress now realize that putting harsh bankruptcy restrictions on the books when the economy is in such bad shape would be adding insult to injury for those who are suffering financial misfortune," Plunkett said.

"But the powerful credit card industry is unlikely to give up on this bill permanently," he added.

On the other hand, differences over patients' rights legislation had narrowed significantly before the attack, and negotiations have been proceeding since.

To the degree that Congress maintains an atmosphere that discourages jockeying for political position, that could make it easier than previously thought to reach an agreement, Plunkett said.

As a result, although the bill is still considered a long shot for passage this year, supporters had not completely given up hope.

Energy Bill Supporters Maintain Pressure

Shortly after the terrorist attack, CFA Research Director Mark Cooper predicted that broad energy legislation would get little further attention this year, despite efforts by some members to push the bill on the grounds that it is necessary to promote national security.

"If the oil continues to flow, nothing will happen," he said.

Strong ideological and partisan divides on central portions of the legislation will make reaching a compromise all but impossible, he said.

He predicted the administration would welcome the opportunity to quietly abandon an issue that had not been playing well for them with the public.

Senate supporters of the bill continued to push aggressively for its adoption, however, and Majority Leader Tom Daschle (D-SD) was finding it more difficult than originally anticipated to keep certain controversial provisions off the Senate floor.

Financial Services Agenda Refocused on Economy, Markets

Many financial services issues expected to draw attention, if not action, this year were swept aside by more pressing issues related to economic stability and the functioning of the financial system.

Among the issues at least temporarily off the radar screen are fringe banking, financial literacy, and securities analyst conflicts of interest.

One bill that continues to be moving, despite its irrelevance to the broader crisis, is legislation intended to increase retirement plan participants' access to investment advice.

The bill, introduced by Rep. John Boehner (R-OH), was approved by the House Committee on Education and the Workforce in early October on a 29-17 vote.

CFA wrote to committee members in opposition to the bill in its current form, despite support for the concept behind the legislation.

"Unfortunately, in its current form, the legislation does nothing to guarantee that the advice retirement plan participants receive would be of high quality," said CFA Director of Investor Protection Barbara Roper.

"In fact, by removing the ERISA prohibition on self-interested pension transactions, it would undermine the protections that currently exist and virtually ensure that most workers' only access to advice would be from parties with a direct financial stake in that advice," she said.

Pediatric Drug Testing Bill Progresses

Another unrelated bill that was moving in early October was legislation designed to promote testing of medicines for use on children.

S. 838 passed the full Senate, and a similar bill, H.R. 2887, was approved on a 24-5 vote in the House Energy and Commerce Health Subcommittee.

CFA joined with other members of the Patient and Consumer Coalition in writing to oppose the House bill on the grounds that it does not do enough "to make the current requirements for pediatric exclusivity safer, more targeted, and effective."

Current law, which expires at the end of the year, grants a six-month patent extension to manufacturers as an incentive to test a drug on children.

While the law has been effective in generating needed data that benefits both clinical practice and product labeling, it has also been used to delay the introduction of more affordable generic alternatives for some very important and widely used drugs.

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Home Ownership Important Key To Affluence

Most Americans substantially underestimate the extent of household affluence and fail to understand that this affluence is based, more than any other factor, on home ownership, according to research recently released by CFA and Providian Financial.

"Contrary to the belief of many, those with modest incomes can, over time, build wealth," said CFA Executive Director Stephen Brobeck. "The easiest way to do so is to buy a home, faithfully make the mortgage payments, and be cautious about borrowing the accumulating home equity."

According to an economic analysis of Fed data commissioned by CFA and Providian, more than half (56 percent) of all American households headed by someone over 45 years of age were defined as affluent because they had net assets of least $100,000 in 1998.

However, a representative sample of American adults think that little more than one-third (36 percent) of these households have this much wealth, according to an Opinion Research Corporation International (ORCI) survey commissioned by the two organizations.

Among older households, even most of those with moderate incomes fit the definition of affluent, according to the economic analysis prepared by Professor Catherine Montalto of Ohio State University.

Households headed by a person over 65 years of age with incomes between $10,000 and $25,000 had median net assets of $106,400, while older households with incomes between $25,000 and $50,000 had median net assets of $215,300.

Sources of Wealth for Affluent

Asset Type	$100-$250K Assets
Home	43%
Retirement Accounts	17%
Stocks, Bonds and Mutual Funds	6%
Business	4%

Household Assets Increase With Age

Income	Under 35	65 and Older
$10-$25K	$3,010	$106,400
$25-$50K	$14,560	$215,300
$50-$100K	$59,220	$369,200
$100K and Over	$191,600	$1,249,100

Home Ownership Greatest Source of Wealth

By far the greatest source of wealth for all affluent households is the value in their homes.

Equity in their primary residence accounts for 34 percent of the wealth of affluent families, compared with only 17 percent in retirement accounts and only 11 percent in stocks, bonds, and mutual funds outside a retirement account.

For households with net assets of $100,000 to $250,000, home equity is an especially important source, accounting for 43 percent of their wealth. In contrast, only 17 percent of the wealth of these households is in retirement accounts, while just six percent is in stocks, bonds, and mutual funds outside a retirement account.

Yet many Americans underestimate the importance of home equity as a source of wealth. When asked to rank sources of wealth for affluent households, only four in ten ORCI survey respondents correctly identified equity in one's home as the most important source.

Although retirement plans are a less important source of wealth than home ownership, "Americans should take all the free dollars offered by employers who match contributions to workplace retirement programs," Brobeck advised. "On dollar-for-dollar matches, this free money produces investment yields of more than 100 percent."

America Saves Campaign Expands

At the press conference at which the research results were released, Providian also announced a two-year, $200,000 grant to support America Saves.

Launched by CFA in February, America Saves seeks to persuade Americans who have not saved adequately to "build wealth, not debt." Savers who enroll agree to work toward a savings goal by depositing a certain amount of money in a designated account over a specific period of time.

Although it includes a national component, America Saves is organized primarily through local campaigns, and "the Providian Financial grant provides invaluable support to these local efforts," Brobeck said.

The money is being used to provide start-up grants to assist the planning and launching of new local campaigns.

Leaders in Indianapolis, Charlotte, and Gadsen County (Florida) have made significant progress in organizing campaigns. Organizers in Northern Wisconsin, Seattle, and Phoenix are beginning to build coalitions. And a number of other communities have approached CFA about starting campaigns.

Meanwhile, campaigns in Cleveland and Kansas City, which were launched earlier this year, are already well underway.

Cleveland Saves, which got a jump start on other cities by serving as the test site for America Saves, enrolled its one thousandth saver in October, while Kansas City Saves had enrolled more than 200 savers.

"CFA is encouraged and excited about the level of interest shown by groups working on developing campaigns," said CFA Assistant Director Nancy Register. "The fact that the idea is taking hold in both rural and urban communities demonstrates the broad interest in and need for this type of campaign."

Anyone interested in organizing a savings campaign in their community should contact Register at 202-387-6121 or nregister@consumerfed.org.

The complete news release, which includes additional information on both report and survey findings, is available on the CFA website at www.consumerfed.org/newsrelease.pdf. The complete report is also available on the website at /CFA_Providian_eco_analysis.pdf.

Internet Shopping Fails To Yield Best Insurance Prices

The quality and reliability of information varies greatly among Internet sites offering comparative term life insurance information, according to a study released by CFA in August.

The study sought information about the most economical term life insurance policies on 25 Internet sites. Term insurance was chosen for comparison because of the relatively straightforward nature of the product.

"For many consumers, shopping on the Internet is still a very new experience," said CFA Insurance Director and report co-author J. Robert Hunter. "Our study clearly indicates that shopping around can pay off," he added, "but it can be difficult to discern which of these sites truly offer fair prices. Landing at the wrong site can cause you to inadvertently pay hundreds too much, thinking that you are getting a good deal." In fact, 40 percent of the sites analyzed by CFA (10 of 25) were so inadequate and potentially misleading that CFA rated them "Not Recommended."

Despite the poor quality of many of the sites, the study found that consumers can lower their insurance costs and conveniently compare and purchase term life insurance policies, if they land on the right site. "Online insurance quote services improve the efficiency of insurance markets, while also lowering the prices," said CFA Life Insurance Actuary and report co-author James Hunt.

Each website was searched for a $500,000 policy in a ten-year term for a hypothetical 40-year-old male in excellent health. The low-cost insurer for the hypothetical case study was C.N.A. Life. However, only 24 percent of the sites (6 of 25) actually displayed C.N.A. Life as the low-cost insurer. These were: Insweb, NetQuote, Quicken, Quotesmith, Youdecide.com, and term4sale.

Because many sites make a profit through commissions on insurance sales, they often do not include no-load insurance companies. In many cases, however, no-load insurers are also low-cost providers, so their quotes can be useful. Because of its correct identification of the lowest cost insurer, its ease of use, and its very complete list of insurers, including no-load insurers, the report rated Term4Sale as the most highly recommended site. Compulife, InsWeb, and Quotesmith also got high marks.

The complete report is available on the CFA website at www.consumerfed.org/termlifeinsurance.pdf. The news release, which includes important factors to consider when buying term life insurance, is also available on the website at /internetshoppinglifeinsurance.pdf.

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