

HJR

73

Introduced: 4/9/86
Referred: Labor & Commerce
and Judiciary

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE HOUSE

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HOUSE JOINT RESOLUTION NO. 73

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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FOURTEENTH LEGISLATURE - SECOND SESSION

5

Relating to national regulation of the

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insurance industry.

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BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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WHEREAS the business of insurance is conducted on a national basis

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affecting national as well as state interests; and

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WHEREAS the recent national insurance crisis demonstrates the need for

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strong and effective regulation of the insurance industry; and

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WHEREAS the insurance industry presently is primarily, if not exclu-

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sively, regulated by the laws of individual states so that insurance com-

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panies that conduct business in more than one state must comply, not only

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with different statutes governing similar activities, but also with varying

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degrees of enforcement of insurance statutes from state to state; and

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WHEREAS 15 U.S.C. 1011-1015 (the McCarran-Ferguson Act) generally

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exempts the business of insurance from federal law where, regulated by state

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law and specifically exempts the business of insurance from the federal

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antitrust laws to the extent that the business of insurance is regulated by

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state law; and

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WHEREAS the McCarran-Ferguson Act does not define what constitutes

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state regulation, and some courts have interpreted this requirement to

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permit exemption from federal law, whether or not the state law governing

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insurance was enforced effectively or at all; and

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WHEREAS state deregulation of insurance, including deregulation of

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rates, has negated the basic reason for exempting the business of insurance

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from federal antitrust laws; and

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WHEREAS no state has the capability to control adequately the

1 practices of national and international insurance companies, particularly
2 reinsurance companies; and

3 WHEREAS recent ^{developments} [competitive practices by property and casualty insurers]
4 in markets for commercial and professional liability insurance have led to
5 disastrous economic and social consequences, both for the insurance indus-
6 try and the public;

7 BE IT RESOLVED that the Alaska State Legislature respectfully requests
8 the United States Congress to repeal 15 U.S.C. 1011-1015 (the McCarran-
9 Ferguson Act), to adopt the statutes necessary to regulate effectively the
10 management and market practices of the insurance industry, and to establish
11 federal reinsurance programs for those businesses and professions unable to
12 obtain or afford liability insurance.

13 COPIES of this resolution shall be sent to the Honorable Ronald
14 Reagan, President of the United States; the Honorable George Bush, Vice-
15 President of the United States and President of the U.S. Senate; the Honor-
16 able Thomas P. O'Neill, Jr., Speaker of the U.S. House of Representatives;
17 and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S.
18 Senators, and the Honorable Don Young, U.S. Representative members of the
19 Alaska delegation in Congress.

Alaska State Legislature
House of Representatives



Labor and Commerce Committee

TO: Members House Labor & Commerce
FR: Sid Billingslea, Committee Aide
DT: 4/16/86
RE: Background HJR 73

HJR 73 is a modified version of HJM 29 from the Washington State House Committee on Financial Institutions and Insurance. The resolution requests federal regulation of insurance.

Background: In 1945 Congress adopted the McCarran-Ferguson Act. The act granted a partial exemption from the federal anti-trust laws to the "business of insurance." The act also provides that insurance is subject to state law and no federal law will supersede a state insurance law unless the federal law specifically relates to insurance.

Under the act, the business of insurance is subject to the Federal Trade Commission Act "to the extent that such business is not regulated by state law." Critics have argued that "regulated by state law" for purposes of the exemption should mean more than mere existence of a statute, that state regulation has to meet some standard of effectiveness. In general, however, the existence of a statutory scheme of regulation, whether or not they're enforced or implemented, is sufficient to preclude application of the federal trade laws regarding insurance.

Summary: Congress is requested to repeal the McCarran-Ferguson Act, adopt all necessary statutes to regulate the business of insurance effectively and to establish federal reinsurance for liability insurance.

Government News

Antitrust law needs to be modernized

Sen. Frank Murkowski has endorsed the Reagan Administration proposal to modernize antitrust law as a needed vehicle to strengthen American competitiveness in the international trade arena.

"With the dramatic changes in the world market there's little doubt that these amendments are needed to enhance U.S. competitiveness in the international trade spectrum," Murkowski said.

"The U.S. economy has

changed significantly from the time American antitrust laws were first enacted at the turn of the century. I agree with the Administration that American business needs predictability in our merger and trade policies. Our industries can't successfully compete abroad if they are uncertain about our domestic antitrust law."

Murkowski noted that the United States is experiencing a new surge of imports flooding into our market, with nearly 75 percent of American products now facing foreign competition.

The 1985 trade deficit of \$148.5 billion was the largest in history, he added. "In the last 70 years we've seen a fundamental change in world trade. It's no longer just the United States dealing with several smaller trade partners. Many of these nations have since emerged as equal or larger players in the world market. If we don't adjust now, there's a very strong likelihood we'll be left in the wayside."

The significant sections of the five proposals include:

- Tightening the language

of Section 7 of the Clayton Act to permit mergers of firms unless there is "significant probability" that higher prices would result;

- Amending Sections 201 to 203 of the Trade Act of 1974 to exempt for a limited period of time mergers and acquisitions in industries seriously injured by foreign import;

- Changing antitrust damage awards to give treble damages only for the most serious antitrust violations such as price fixing;

- Limiting the application of

U.S. antitrust law to international commerce, making the application of the law subject to reciprocity.

"Currently mergers that are wise legal if done in Japan, Korea, England," Murkowski said.

"As a result, we are at a disadvantage when compared with companies like Hyundai. However, modern antitrust law is this impediment."

• Penney

Continued from Page 26

eight fold in the 1990s with the termination of Chugach Electric Association's low gas contracts for its Anchorage consumers.

There's also no question that hydro plants are far more efficient (90 percent or better) than either natural gas or coal-based energy units (25-35 percent efficiency at best).

Hydro plants also last longer — by a century or more. A gas turbine may last 25 years, and a coal-fired steam plant 40 years.

Potential environmental and pollution hazards also makes coal a very unattractive option, despite abundant Alaskan coal reserves.

Over a 100-year period, for example, more material would be excavated in coal mining than would fill 27 Susitna Dam projects. Fly ash alone from coal burning would total 45.4 million tons, enough to equal, in volume, seven Susitna projects.

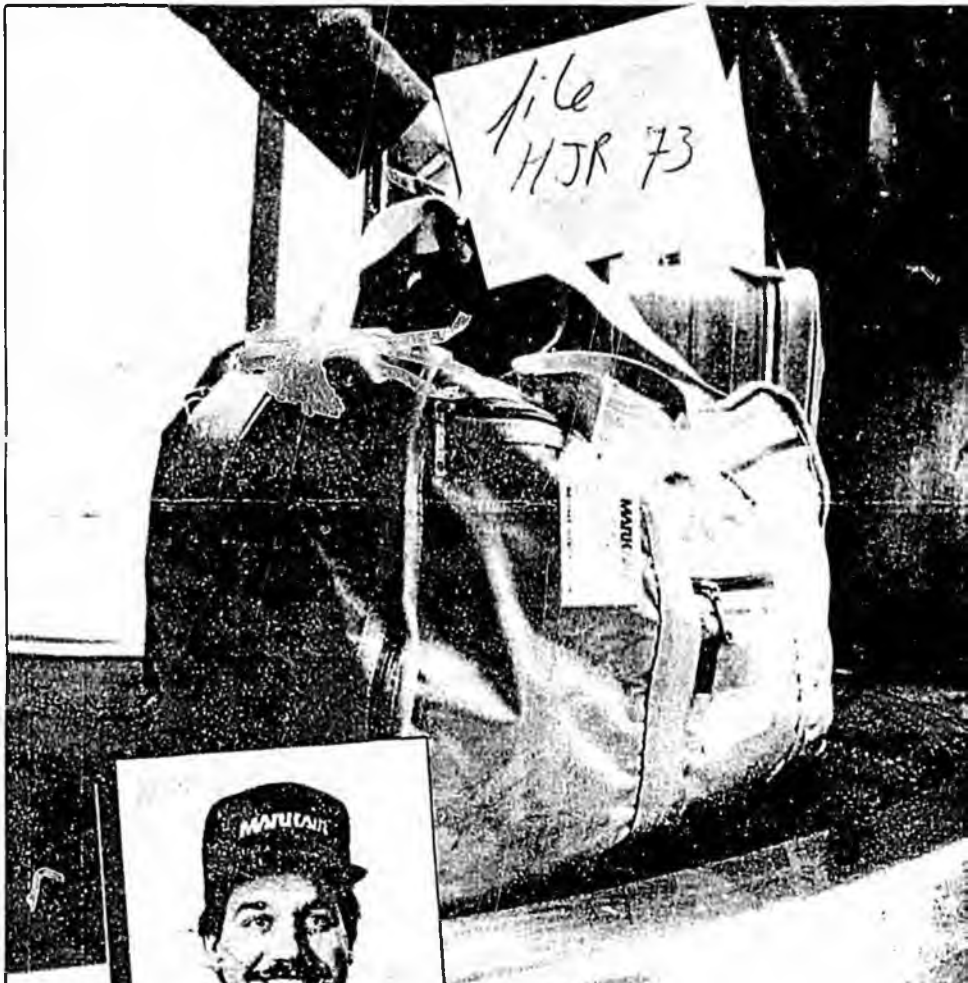
And if 1,000 megawatts of coal fired plants were permitted within the Anchorage-Cook Inlet Region, the pollutants introduced into the air would reach or exceed the federal Environmental Protection Agency's saturation point, says Beau Brownfield regional manager for Acres American Inc. an engineering firm.

Many utility analysts also are concerned about the increasing amount of carbon dioxide levels in the atmosphere, such as that emitted by coal plants, will trigger even more expensive regulations.

"Why build coal power plants that will likely have future restrictions on their operations in 20-30 years?" asks Tom Stahr, general manager of the Anchorage Municipal Light and Power Department. "With coal there is going to be pollution problems. So why not opt for hydro power where you won't have those problems?"

That's not to say that we cannot use coal or natural gas to supplement our energy needs. We can, and we will.

But, I believe that our prin-



Fred Yamt — Baggage Handler

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