COMPANY NEWS; Travelers, St. Paul Settle Texas Suit

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LEAD: Two large insurance companies, sued in an antitrust case, have agreed to testify for the state and pay $500,000 in legal costs each, Attorney General Jim Mattox said. The Travelers Insurance Company and the St. Paul Fire and Marine Insurance Company also agreed to cease certain activities in the settlement agreement.

In its antitrust suit, Texas accused the insurance industry of seeking to create an "insurance crisis." Insurers had asserted that an increase in lawsuits was forcing them out of the commercial liability field. Mr. Mattox sued eight insurance companies and several industry groups in March 1988, accusing them of illegally conspiring to boycott, coerce and intimidate consumers to drive up rates and reduce coverage.

Insurance antitrust exemption questioned

By Ana Radelat, Gannett News Service.

WASHINGTON — An effort to end the insurance industry's exemption from antitrust laws got a boost Wednesday at a Senate hearing where two Gulf Coast lawmakers aired frustrations over how insurers handled Hurricane Katrina claims.

Sens. Trent Lott, R-Miss., and Mary Landrieu, D-La., testified before the Senate Judiciary Committee in favor of legislation that would repeal a more than 60-year-old law that allows insurance companies to share information.

Lott, who has sued his insurance company over Katrina's destruction of his Pascagoula, Miss., home, sparked the effort by introducing a similar bill last year.

He said he began to investigate the insurance industry after witnessing its "reprehensible behavior" in responding to Katrina and was "astounded" by what he discovered.

"Some have said I'm just angry about losing my home," Lott testified. "They're right. But let me tell you. The good Lord made sure I lost my house so that I would feel the pain of friends and neighbors along the coast who lost theirs."

Landrieu said leaving oversight of the industry almost entirely to the states has resulted in "a weak, hit-or-miss insurance system."

She also said insurers on the Gulf Coast are raising rates and refusing to write new policies, creating an "insurance crisis."

Lott, Landrieu and others, including Judiciary Committee Chairman Patrick Leahy of Vermont, say the antitrust exemption in the 1944 McCarran-Ferguson Act was meant to be temporary. They also say the exemption has led to collusion by insurance companies on setting rates and denying claims.

The McCarran-Ferguson Act exempts insurers from federal antitrust laws except in cases of mergers or in states that have decided they don't want to regulate the industry.

Insurance industry representatives warned lawmakers Wednesday that repealing the act would result in fewer companies and less availability of high-risk coverage.

Marc Racicot, president of the American Insurance Association, said a repeal would "not help consumers and would serve only to enrich antitrust lawyers."

The National Association of Insurance Commissioners also opposes the bill. It would prefer Congress increase penalties against insurers who have violated state and federal laws aimed at preventing anti-competitive practices.

Despite the industry's political influence, the effort to place insurers under more federal control is gaining support in the Democrat-controlled Congress.

A similar antitrust bill in the House is sponsored by Reps. Peter DeFazio, D-Ore.; Gene Taylor, D-Miss.; Bobby Jindal, R-La.; Charlie Melancon, D-La., and Rodney Alexander, R-La.

And the drive for federal regulation of the insurance industry is bolstered by the thousands of Katrina victims who have sued their insurers.

New Orleans homeowner Mike Homan is one. He told lawmakers that insurers on the Gulf Coast have hired engineering firms who agree to write reports denying wind damage that would be covered under most homeowners' policies.

Homan, who lives with his family in a trailer next to his badly damaged home, said it took months for his insurer to respond to his Katrina claim.