

Imaginary Games

Sports broadcasting legend, Bill Mazer, died recently. Mazer was one of the pioneers of sports radio talk show, with a career spanning 60 years – 40 in the Metropolitan New York area including 20 years hosting “Sports Extra” on WNEW-

the hole backhanded by the shortstop whose long throw was scooped up by the first baseman to catch the runner by a half-step. Great stuff! Great imagination! Who needed live coverage when you had Bill Mazer to make the calls?

funds ultimately were used to pay back trading partners in the financial community, not to bolster insurance reserves. While the bailout funds did not directly inure to the benefit of AIG’s insurance operations or its policyholders, the strength and value of its insurance units were the main resource that allowed AIG to substantially repay its debt to the Feds.

Even at the height of media coverage of the AIG bailout in September 2008, the Wall Street Journal reported on an A.M. Best study, noting:

“AIG’s millions of insurance policyholders appear to be considerably less at risk. That’s because of how the company is structured and regulated. Its insurance policies are issued by separate subsidiaries of AIG, highly regulated units that have assets available to pay claims. In the U.S., those assets can’t be shifted out of the subsidiaries without regulatory approval, and insurance is also regulated strictly abroad.” (WSJ, 9/16/08)

And quite recently, in June 2013, the Government Accountability Office in its report titled “Impacts of and Regulatory Response to the 2007-2009 Financial Crisis” concluded “The effects of the financial crisis on insurers and policyholders were generally limited, with a few exceptions. . . . Actions by state and federal regulators and the National Association of Insurance Commissioners (NAIC) among other factors, helped limit the effects of the crisis.”

These supporting voices, however, have been drowned out by the shouts of state regulatory critics such as Representative Ed Royce of California whose advocacy on behalf of a Federal charter option has come at the cost of disparaging State regulation and regulators; or the international community’s Financial Stability Board, which has long sought the centralization of insurance regulation in the US for the benefit of non-US institutions. The Federal and International Weapon of Mass Regulation of choice to force centralization of insur-

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TV. Mazer was known particularly for his encyclopedic memory for all kinds of sports trivia, which earned him the moniker “Amazin.” But my connection with Mazer was quite different, going back to Buffalo, NY in the Mid-1960s.

During my first two years of college I worked on a delivery truck for the old *Courier Express*, Buffalo’s then morning newspaper. The delivery trucks would line up at the newspaper’s loading dock around 2 a.m. to wait for the bundles of papers to start rolling off the presses. The timing of each day’s run could vary significantly depending on breaking stories or other factors, so often there could be long waits. A fond memory of these waits was the frequent visits to the loading dock by Bill Mazer following his late night broadcasts. These visits were highly anticipated, as he would regale us with stories about sports figures large and small. Often these visits followed his broadcasting of Buffalo Bison baseball games. The Bisons were a triple-A minor league team, and its away games were broadcast locally by an announcer following game action off a ticker-tape (I told you this was a long time ago!). Mazer was a master at inventing tension and drama from the most routine of plays. A simple ground out could come across the ticker as 6-3 (shortstop to first base), but as broadcast by Mazer in could become a drive deep into

These imaginary calls never changed the outcome of a play or of a game. The descriptions may have been embellished but the games were real. And he never disrespected the game or the players. Too bad the same cannot be said for the International and Federal financial regulatory communities. Primarily as a result of the 2008 financial crisis, Federal and International financial regulators have been on a rampage to create stricter controls and capital requirements over financial institutions. The investment and banking communities were the natural and logical targets of these efforts. However, largely because of the near collapse of AIG, insurance also became a prime target. The massive bail out of AIG is often cited as justification for the march towards federalization of insurance solvency regulation. What has been ignored in this effort, however, is that the insurance operations of AIG were not financially stressed and were not the impetus for the bailout. In the aftermath of the Great Recession, the cause of AIG’s near meltdown and the effectiveness of state regulation have been successfully muffled in the noise about the need for strong regulatory controls over financial institutions. Lost is the fact that the excesses of a federally supervised non-insurance unit of AIG trading in credit default swaps caused the need for a bailout, and that the bulk of the bailout

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ance regulation in the US and eliminate or reduce state insurance regulation, is through the SIFI (Systemically Important Financial Institution) and G-SIFI (Global Systemically Important Financial Institution) designations. Based on flawed conclusions about the causes of the AIG bailout, these groups relentlessly push to designate insurance entities as financial

institutions that are too important for existing regulatory frameworks. The result will be to subject designees to extra layers of capital requirements and regulatory scrutiny – all at the expense, of course, of existing State regulation. It is not just that institutions with significant insurance operations designated as “systemically important” would now be subject to Federal — and possibly International — solvency standards on top of existing State requirements. It is the growing marginalization and

It is not just that institutions with significant insurance operations designated as “systemically important” would now be subject to Federal – and possibly International – solvency standards on top of existing State requirements. It is the growing marginalization and ridicule of state regulation and regulators as a means to achieve a Federal and International takeover at the expense of factual accuracy.

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ridicule of state regulation and regulators as a means to achieve a Federal and International takeover at the expense of factual accuracy. These anti-state positions rest on a false premise and a failure to acknowledge the success of state regulation in avoiding the major consequences of the financial crisis.

What is ultimately driving the marginalization of state regulation of insurance is not the old Federal/State battle that has been fought for decades; it is not the findings of investigations such as Congressman Dingell’s 1990 report “Failed Promises: Insurance Company Insolvencies;” it is not any failure of state solvency regulation during the 2008 financial crisis. No, the driving force turns out to be a failure in Federal regulatory oversight of a non-insurance unit of AIG. How ironic!

In the world of Bill Mazer, you may embellish the facts, but you do not change them. You may use your imagination in reporting a game, but you do not disrespect the game or the players. An out is an out; a hit is a hit; a score is a score whether routine or spectacular. The Feds and the FSB and many of their supporters are not simply embellishing existing facts. They are ignoring the record, disrespecting the players and creating imaginary games from imaginary facts.

Bill Mazer would not approve. [A]