



BLUESOPOLY

- House Bills 5284 and 5285 would enable the Accident Fund to offer multiple lines of insurance.

This is true. However, what the Blues and the Accident Fund fail to mention is that these bills would also enable the Blues themselves to own other corporations organized for any purpose, not necessarily related to the Blues' charitable and benevolent mission. They could use their capital and surplus, gained through their special tax-exempt charter, to purchase not only other insurers, but also hospitals, clinics, auto repair facilities, etc.

- The prohibitions in the Insurance Code and the Nonprofit Health Care Corporation Act stifle the growth of the Accident Fund.

The Accident Fund's market share has grown from just under 14% in 2000 to just over 26% in 2006. If this is stifled growth, one can imagine what would occur should the "barriers" be removed.

- Allowing the Accident Fund to offer multiple lines of insurance will mean more jobs and economic growth in Michigan.

Adding another insurer will not increase the Michigan market, but simply cause a shift in where the market is housed. It's difficult to see how this will create economic growth. In fact, just the opposite could occur as the Blues use their leverage to expand their monopoly position into other lines or even other businesses. As companies leave the Michigan market because of the unfair advantage granted the Blues, there will be fewer jobs, less economic growth, and increased prices, all of which result from a lack of a fair competitive market.

- Much has been made of the theoretical possibility of down streaming surplus accumulated at the parent level without the payment of state and local taxes. The advantage, if any there is, rests with the parent, which does not compete in the property and casualty market...capitalization of Accident Fund by its parent does not give it any unfair competitive advantage in the property and casualty market.

Clearly, capital accumulates faster if it is not taxed. A \$50 million contribution obviously costs a taxed entity more than \$50 million to accumulate than it costs the Blues.

To say the parent does not compete in the property and casualty market is splitting hairs. Although the Blues' writings are not in the P&C market, its fortunes clearly will be if they are able to expand the activities of the Accident Fund and/or acquire additional subsidiaries that are in the P&C market.