1050 17th Street, N.W.
Suite 1150
Washington, DC 20036
202.525.5717

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Testimony to Washington Senate Committee on Financial Institutions & Insurance

Madam Chair and members of the committee, my name is Ian Adams and I am a fellow at the R Street Institute – a free-market think tank headquartered in Washington, D.C that focuses on insurance and financial regulation.

I am here in support of SB 5242. As you've heard, SB 5242 clarifies that insurers and producers may give goods or services for free or less than fair market value so long as receipt of the goods or services is not tied to the purchase of insurance. Given the history of anti-rebating laws across the nation, this clarification is entirely appropriate and is consistent with the underlying purposes of such laws.

Historically, anti-rebating laws have had three aims: to protect customers from rate discrimination; to avoid undisclosed insolvency risks to insurance carriers; and to avoid creating an incentive for customers to purchase insurance products they don't need.

At no point were these consumer-protection laws designed to be wielded to stifle free-market competition. Offering generally available services for free, with no requirement to purchase insurance, does not run afoul of any of the rationales for such regulation. There is no rate discrimination: everyone is entitled to free access to the platform on the same terms. There is no insolvency risk, because the carrier itself is offering no discount on premiums. Customers will feel no pressure to buy insurance unnecessarily, since they can have the same access to the platform whether they buy insurance or not.

Fundamentally, clarifying that there is a distinction between free services provided to insurance customers in exchange for buying insurance and free services provided on equal terms to the general public with no tie to insurance will liberalize the market without harming the purpose of the anti-rebating law.

In fact, requiring companies that offer insurance to charge fees for non-insurance products both artificially reduces competitive pressures and impairs the market for non-insurance products by imposing minimum prices that must be charged by companies that also sell insurance.

The job of market regulation is to make the market **regular**, it isn't to pick winners and losers. To the extent that certain elements of industry oppose this bill, they do so as a protectionist measure unmoored from the historically demonstrable intent of the law. Such an approach is remarkable, since it ensures that Washingtonians are forced to pay for services that are free throughout the rest of the country.

With that, I thank you for your time and am happy to answer any questions that the committee may have.