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## TARP Recovery Fee Could Affect Insurers

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By Editor Test     *Wed, Jan 20, 2010*

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President Obama has joined with other officials to propose a new "financial responsibility fee" that could affect large insurers to the tune of 15 basis points, *National Underwriter* reported.

If implemented, the proposal would require insurers that own banks, thrifts or securities broker-dealers and also have more than \$50 billion in assets to pay a fee equal to 0.15% of "covered assets."

The Obama administration developed the fee proposal to implement a section of the Emergency Economic Stabilization Act of 2008 that requires him to create a plan to make the financial industry pay for TARP. The deadline for setting up a TARP repayment system is 2013.

"We cannot go back to business as usual," Obama said at a briefing. "And when we see reports of firms once again engaging in risky bets to reap quick rewards, when we see a return to compensation practices that seem not to reflect what the country has been through, all that looks like business as usual to me."

The current version of the proposal would exclude insurance policy reserves from the covered asset total, because insurers already pay assessments to guaranty funds to protect the reserves, [according to a proposal summary](#). Bank deposits insured by the Federal Deposit Insurance Corp. would also be exempt, in part because banks pay the FDIC to protect deposits.

Paul Newsome, a managing director at Sandler O'Neill Research in Chicago, believes all insurers that meet the criteria established under the program would be involved, whether or not they received TARP aid. "The key is what type of 'reserves' would be excluded from the tax," Newsome said.

The Financial Services Roundtable, Washington, said the proposal is a premature effort to recover TARP funds. TARP has been a "positive boost to the economy, and the government, and taxpayers are seeing a positive return on their investment," FSR President Steve Bartlett said. "This tax is strictly political."

Sen. Christopher Dodd, D-Conn., chairman of the Senate Banking, Housing and Urban Affairs Committee, said the government should recoup as much TARP money as it can. "We may also consider additional means to limit executive compensation as part of our financial reform efforts," he said.

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