NATIONAL ASSOCIATION OF PROFESSIONAL INSURANCE AGENTS

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Issue Paper

Insurance Regulation

August 2015

PIA:

- **Opposes any federal regulations or international standards that would destabilize or supplant state-based regulations.**
- **Supports transparency and accountability for the Federal Insurance Office, the Financial Stability Oversight Council, the Financial Stability Board and the International Association of Insurance Supervisors.**

While modernization of certain aspects of state insurance regulation is needed, for over 150 years the state-based system has successfully created a competitive and diverse U.S. insurance market. In fact, a report issued by the Government Accountability Office (GAO) in June 2013 found the state system helped to mitigate the negative effects of the 2007-2009 financial crisis on the insurance industry.

PIA opposes any federal or international effort that would undermine the state-based system of insurance regulation, such as creating a federal regulator of insurance or adopting a one-size-fits-all approach to global insurance regulation. Regulatory creep or convergence that creates a duplicative regulatory system generates an additional burden on the industry or raises costs for consumers with no coordinating increase in protections would be opposed by PIA. In fact, recent research by Sonecon and the American Enterprise Institute (AEI) found that international efforts to increase capital standards on property and casualty insurance companies are not only unnecessary, but could raise homeowners' insurance premiums by as much as 8%.

Instead of wide-ranging national and global dictates, PIA supports coordination and cooperation between state and federal officials, along with international bodies. Cooperation can help improve the existing insurance regulatory system.

The built in checks and balances of the state-based regulatory system ensure transparency and accountability. PIA believes the same standards should apply to federal offices and commissions, such as the Federal Insurance Office (FIO); the Financial Stability Oversight Council (FSOC); and international organizations, such as the Financial Stability Board (FSB) and the International Association of Insurance Supervisors (IAIS). To this end, PIA supports the Financial Regulatory Improvement Act (S.1484) introduced by U.S. Senate Banking, Housing & Urban Affairs Committee Chairman Sen. Richard Shelby (R-AL). The bill, which was voted out of the Senate Banking committee along party lines, aims to improve transparency within the FSOC and roll back provisions in Dodd-Frank.

Notably, S.1484 contains two measures that PIA supports: The Policyholder Protection Act of 2015 (S.798), and the International Insurance Capital Standards Accountability Act (S.1086). The Policyholder Protection Act of 2015 would allow state regulators to protect policyholders in their state by ensuring that insurance companies structured under larger financial institutions could not be held financially responsible for their affiliated bank's failure or financial crisis. Senator Shelby's bill also includes S.1086, which would establish an Insurance Policy Advisory Committee on International Capital Standards and other insurance issues at the Federal Reserve. This measure would also support increasing transparency and public observer access to working groups and meetings at the IAIS.

For additional information on this issue, please contact PIA's government affairs department or visit www.pianet.com/issues-of-focus/modernization.

National Association of Professional Insurance Agents (PIA)
PIA Federal Affairs • 400 North Washington St., Alexandria, VA 22314-2353 • Phone: (703) 836-9340 • Fax: (703) 836-1279
PIA email: gov@pianet.org • PIA website: http://www.pianet.com