

Washington Outlook: PCI's Agenda for 2017

March 2, 2017 by David Sampson

A new administration and a new Congress present both challenges and opportunities for home, auto and business insurers as they work to promote a private and competitive marketplace—that best serves insurance policyholders.

Executive Summary

PCI President and CEO David Sampson shares the insurer association's pro-consumer agenda for 2017, which includes ending federal encroachment on state insurance regulation, tax reform, reauthorization of NFIP and working to make our roads safer.

Regulation

PCI's top Dodd-Frank Act priority is to end federal encroachment on the proven and effective system of state insurance regulation. The business of insurance differs significantly from that of banking, and insurers already are subject to strict state regulation to guarantee their solvency and protect consumers. PCI supports efforts to reform the Dodd-Frank Act to prevent duplicative regulation that could unnecessarily increase costs for both insurers and their consumers.

PCI was the first insurance trade association to support the CHOICE Act in Congress, which would eliminate the Federal Insurance Office (FIO) while transferring some of its functions to the Independent Insurance Advocate's office. We have been advocating further safeguards on these transferred functions. PCI strongly supports many other CHOICE Act provisions, including: encouraging more cost-benefit regulatory analysis; stopping systemically important financial institution designations of insurers; eliminating the Office of Financial Research; and overturning chevron deference. PCI also supports reining in the Federal Reserve's supervision of insurance holding companies and preventing the Consumer Financial Protection Bureau from exceeding its authority and regulating insurance.

On the global front, PCI will continue to fight against efforts to impose one-size-fits-all regulation on insurers, rejecting the bank-centric regulatory models favored by some international regulatory agencies. The House Financial Services Committee, in particular, has sought to prevent the imposition of international regulatory standards on the U.S. insurance industry, and PCI will continue to encourage and support Congress in this effort.

Tax Reform

Federal tax reform will be another major priority for PCI and the industry in 2017. Looking back at the 1986 tax reform efforts, which was the last major tax code overhaul, the insurance industry was not united and took a disproportionate hit. As a result, today the property/casualty insurance industry makes up less than 1 percent of GDP but pays 3 percent of all federal corporate income tax receipts.

We are now facing a once-in-a-generation overhaul of the federal tax code. PCI's goal is to ensure that our members emerge from a comprehensive tax reform package better off, with competitive tax rates, higher economic growth and a manageable transition. This is not just about defending the status quo; we will aggressively advocate for what is in the best interest for our markets and consumers.

NFIP Reauthorization

The National Flood Insurance Program (NFIP) is up for reauthorization this year. The NFIP will expire at the end of September, in the midst of hurricane season, unless Congress votes to extend it. Congress has allowed the program to temporarily lapse over the years, which sent shockwaves through the real estate market when home buyers could not close on mortgages where flood insurance was required.

We want to see a long-term reauthorization that brings greater stability and reliability for consumers, insurers and the real estate market. PCI also supports reforms that remove barriers to the creation of a private flood insurance market.

Driver Safety

Automobile safety is a top national concern for insurers. Enhanced safety technology has made automobiles much safer for passengers. Yet, auto accidents and road fatalities are rising sharply across the country. The National Safety Council last week announced that 2016 may have been the deadliest year on our roads since 2007. When combined with the accident frequency since 2014, it has been the worst two-year escalation since 1964.

We are seeing more distracted and often impaired drivers on the roads. They are driving more miles, at often higher speeds, on congested highways that are aging. In addition, these drivers are in newer vehicles that are more costly to repair. These are the main factors in the uptick in accident frequency and severity, which began in the second half of 2014. Although safety is the first concern, the combination of increased frequency and severity has significantly increased auto insurance costs, to the surprise of policymakers and motorists alike.

PCI looks forward to working with Transportation Secretary Elaine Chao on efforts to make roads safer and to protect motorists and pedestrians. PCI also will continue to engage state and federal lawmakers and the media to spread awareness about how these trends could be impacting consumers from both an auto safety perspective and as a pocketbook issue.

PCI's pro-consumer agenda for 2017 is broad-ranging and will not be achieved overnight. But it is a challenge that's well worth tackling, and PCI intends to engage lawmakers and regulators at all levels as well as insurance consumers to meet these worthwhile goals.

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