



PCI strongly encourages Senators and Representatives to co-sponsor, support, pass, and enact international insurance standards legislation this year.

State-based insurance regulation has helped create the largest, most competitive insurance system in the world, including comprehensive consumer protections as well as transparent and inclusive procedures. In recognition of this, Congress reaffirmed the primacy of state regulation in the Dodd-Frank Act, even as a new Federal Insurance Office (FIO) was created and charged with strengthening the U.S. voice internationally. Unfortunately, instead of having a single, stronger and united voice, the U.S. now has multiple competing voices that are often at odds, opening the door for competing regulatory systems to seek globalization of their standards at the expense of U.S. consumers and competitiveness.

Congressional action is needed to defend our state-based regulatory system, our companies, and our consumers.

Summary

Before the recent financial crisis and the enactment of the Dodd-Frank Act, international insurance issues were primarily discussed by the International Association of Insurance Supervisors (IAIS), which was created in part by U.S. state insurance regulators who represented U.S. interests. Now, in addition to state regulators, the Federal Reserve Board and Treasury (FIO) are members of the IAIS, resulting in multiple and sometimes conflicting voices and goals. International insurance directives also are increasingly being issued by the Financial Stability Board (FSB), which does not include state insurance regulators. These entities have different regulatory missions and lack congressional clarity on coordinating their priorities. IAIS and FSB deliberations are often behind closed doors, limiting transparency and accountability among the regulators.

In the 114th Congress (2015-2016), bipartisan Senate and House legislation has been introduced that would require unity among our U.S. international insurance representatives and direct them to demand more transparency and accountability in international standard setting.

We are now at the final hour for congressional action to defend our state-based regulatory system, our companies, and U.S. consumers. Failure to act could result in international standards that undermine existing state regulations and threaten competition while exacerbating global systemic risk through a one-size-fits-all approach.

Legislative Status

Senators Dean Heller (R-NV) and Jon Tester (D-MT) introduced the bipartisan International Insurance Capital Standards Accountability Act of 2015 (S. 1086) to address many insurance-specific issues. Senate Banking Committee Chairman Richard Shelby (R-AL) later introduced legislation (S. 1484), the Financial Regulatory Improvement Act, which includes a number of PCI-supported provisions, including those in Heller-Tester (S. 1086). In June 2015, the Senate Banking Committee passed S. 1484, and it was subsequently added to the fiscal year 2016 Financial Services and General Government Appropriations legislation (S. 1910).

Several House members from both sides of the aisle proposed bills to facilitate coordination, accountability, and transparency. This effort has now been consolidated into legislation proposed by House Financial Services Subcommittee Chairman Luetkemeyer (R-MO), the Transparent Insurance Standards Act of 2016 (H.R. 5143), which passed the House Financial Services Committee by a bipartisan vote in June.

Bill Summaries

S. 1086, *International Insurance Capital Standards Accountability Act*:

- Reiterates congressional support for state-based insurance regulation;
- Increases collaboration, transparency and accountability in the development of global insurance standards, particularly capital standards; and
- Encourages the Federal Reserve, Treasury, and the states to reach consensus before agreeing to any global insurance standard.

H.R. 5143, *Transparent Insurance Standards Act of 2016*:

- Reiterates congressional support for state-based insurance regulation;
- Encourages the Treasury and the Federal Reserve Board to reach consensus with state insurance regulators on negotiating positions;
- Establishes U.S. “objectives” consistent with state-based insurance regulation for all international insurance regulatory negotiations;
- Requires communication with Congress before entering into international insurance regulatory negotiations, during those negotiations and before concluding any agreements;
- Provides a schedule for the federal agencies to report periodically to the Congress, especially on their efforts to improve the transparency of the international standard setting organizations;
- Provides that U.S. capital standards should be issued before international standards; and
- Strengthens the role and independence of the Independent Insurance Expert on the Financial Stability Oversight Council.