June 14, 2016

The Honorable Blaine Luetkemeyer
Chairman
Subcommittee on Housing and Insurance
House Financial Services Committee
2440 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Luetkemeyer:

I am writing to express the support of the American Council of Life Insurers for H.R. 5143, the Transparent Insurance Standards Act of 2016. Thank you for your strong leadership in developing this legislation to bring increased transparency, accountability, and Congressional oversight to the international insurance standards process.

The ACLI is a Washington, D.C.-based trade association with approximately 300 member companies operating in the United States and abroad. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers’ products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 95 percent of industry assets.

H.R. 5143 establishes new notice, consultation, and reporting requirements that will allow increased engagement by public stakeholders and Congress. Due to the importance of the work being done by the International Association of Insurance Supervisors (IAIS), more stakeholder input is necessary than ever before. The reforms established in H.R. 5143 will increase opportunities for public engagement and better inform the development of policy.

An example of an issue that must be fixed is the IAIS approach to Non-Traditional Non-Insurance (NTNI), which disproportionately harms guaranteed lifetime income products commonly available in the U.S. The IAIS has approved a higher capital charge for U.S. variable annuity products but not for products offered in other countries with similar risk characteristics. U.S. insurance products must not be placed at a competitive disadvantage by international capital standards and all insurance products with similar risk characteristics should be treated equally regardless of their national jurisdictions.
H.R. 5143 would also ensure that international insurance capital standards do not precede the development of domestic insurance capital standards. The bill requires proper sequencing between the Federal Reserve Board’s (Board) insurance capital standards rulemaking and standards that may be developed at the IAIS. By conducting our own process for the development of insurance capital standards before agreeing to any international standards, Team U.S.A. representatives will have a stronger, unified position in international discussions.

In fact, the Board approved an Advanced Notice of Proposed Rulemaking (ANPR) for insurance capital standards at its Open Meeting on June 3. ACLI commends the Board for its plan to conduct formal rulemaking with notice and public comment, and for its exercise of authority granted by Congress to tailor capital standards to insurance companies. ACLI may not agree with all aspects of the proposal, especially as it relates to the potential for two different capital standard regimes, but, overall, the Board has put forth a carefully crafted proposed outline that reflects the unique aspects of the insurance business model.

Appropriately tailoring capital standards to the business of insurance is possible only as a result of your leadership, the bipartisan committee leadership of Chairman Jeb Hensarling and Ranking Member Maxine Waters, and the leadership of bill authors Representative Gary Miller, Representative Carolyn McCarthy, Senator Susan Collins, Senator Sherrod Brown, and Senator Mike Johanns, to pass the Insurance Capital Standards Clarification Act. That legislation, passed unanimously by Congress, affirmed that appropriately tailored insurance capital standards provide the best measure of the capital needs of an insurer and are the best means for the Board to assess an insurance company’s capital adequacy.

Finally, ACLI respectfully opposes changes to the language of your substitute amendment.

We look forward to working with you as the bill moves through the legislative process. Thank you for your leadership and for your consideration of our views.

Sincerely,

[Signature]

GOVERNOR DIRK KEMPTHORNE