

**May 2025****FSOC Vote for Insurance Regulators**

- *The NAIC supports giving state insurance regulators a vote on the Financial Stability Oversight Council (FSOC).¹*
- *FSOC was created by the Dodd-Frank Act to identify and respond to risks to the U.S. financial system.*
- *State insurance regulators are the only primary financial regulators without a vote on FSOC and are the only regulators that can address insurance sector risks identified by the council.*

Background

Dodd-Frank created FSOC to identify and respond to risks to the U.S. financial system. It consists of the Treasury Secretary, eight voting members from non-insurance financial sectors, one voting member with insurance expertise, and five non-voting members including a state insurance regulator. FSOC can identify insurance and other non-bank institutions that could pose a threat to the U.S. financial system and suggest regulatory changes to the appropriate primary financial regulators.

State insurance regulators, as the primary regulators of the U.S. insurance sector, should have a voting seat on FSOC, just like any other primary financial regulator. This ensures that the broader insurance regulatory perspective is adequately represented in FSOC decisions. State insurance regulators have the expertise and information necessary to inform FSOC's risk monitoring and identify systemic risks in the insurance industry.

Further, only state insurance regulators can take regulatory action to address identified risks or concerns. The Federal Reserve has limited regulatory authority in the insurance sector, as they only regulate FSOC designated firms and Depository Institution Holding Companies with insurance operations, and the voting Independent Member with Insurance Expertise cannot implement FSOC recommendations. The Director of the Federal Insurance Office serves as a non-voting member, but does not have regulatory authority, and reports to the Treasury Secretary, who already has a vote and chairs the Council.

Key Points

- ✓ Insurance regulators possess the required expertise to advise FSOC on risk monitoring in the insurance sector and are the sole authorities who can commit to regulatory action in response to said risks.
- ✓ Granting state insurance regulators a vote on FSOC enables all primary financial regulators to participate in the Council's decision-making process. This enhances FSOC's ability to monitor and improve the financial stability of all U.S. financial sectors.

¹ The Primary Regulators of Insurance Vote Act of 2021 (117th Congress H.R. 3099) and the Primary Regulators of Insurance Vote Act of 2022 (117th Congress S. 4110).