

January 16, 2018

The Honorable Jeb Hensarling  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

The Honorable Maxine Waters  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
4340 Thomas P. O'Neill, Jr. Federal Office Building  
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

On behalf of the National Association of Insurance Commissioners (NAIC)<sup>1</sup>, we appreciate your leadership and commitment to making improvements to certain aspects of the Dodd-Frank Act. As financial markets continue to evolve, we understand that it is important to periodically reassess laws to ensure that they are achieving their intended purpose, are appropriate for the business model they impact, and remain in the best interests of the consumers they are meant to protect. In this regard, the NAIC would like to convey its support for two bills that will be considered in the mark-up on Wednesday, January 17—H.R. 4061, the Financial Stability Oversight Council Improvement Act of 2017 and H.R. 3746, the Business of Insurance Regulatory Reform Act of 2017.

**H.R. 4061, the Financial Stability Oversight Council Improvement Act of 2017**

The NAIC supports H.R. 4061, the Financial Stability Oversight Council Improvement Act of 2017. Insurance regulators have had long-standing concerns with the Financial Stability Oversight Council's (FSOC) nonbank financial company designation process. FSOC's opaque process and failure to provide clarity on the specific activities that lead to a company's designation undermine its fundamental mission to mitigate risks to the financial system. Without this precise information, regulators cannot fully understand FSOC's concerns about the nature of the risks or take appropriate action to reduce such risks. In this same respect, an explicit de-designation process should be a critical and necessary component of FSOC to help mitigate systemic risk. Regulators and companies require further clarity and guidance from FSOC on identifying the steps that need to be taken for a firm to be de-designated. The proposed reforms in the Financial Stability Oversight Council Improvement Act address many of our concerns and represent a positive step forward in improving FSOC's operations, processes, communication, and transparency.

In addition, as the committee deliberates FSOC reform, we ask that you consider granting a state insurance regulator representative a voting seat on the Council. State insurance regulators are the primary financial regulators for the largest, most diverse insurance sector in the world, yet we have been singled out as the only primary financial regulator without a vote on FSOC. The U.S. Treasury Department's recent report on the nonbank designations process, which recommends that FSOC shift to an activities-based approach to addressing

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<sup>1</sup> Founded in 1871, the NAIC is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and the five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S.

systemic risk, further underscores the importance of providing a vote to the only ones that can commit to taking regulatory action across the entire insurance sector to address any identified risks. The lack of a voting insurance regulator member on the FSOC is a detriment to the Council's important work and U.S. financial stability.

**H.R. 3746, the Business of Insurance Regulatory Reform Act of 2017.**

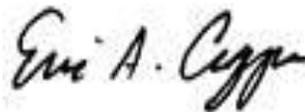
We would also like to express our support for H.R. 3746, the Business of Insurance Regulatory Reform Act of 2017. Consumer protection is the hallmark of our national state-based insurance regulatory system, and Congress has repeatedly confirmed the states' role in overseeing the insurance sector, including, most recently in the Dodd-Frank Act. While the Dodd-Frank Act contains an exception to CFPB authority with respect to our regulated entities, this legislation would make this exception more explicit and further effectuate congressional intent to defer to the states with respect to insurance policyholder protection. Given the interconnected nature of our financial sector, it is understandable that some unintended overlap or duplication of effort with other regulators can occur. For that reason, it is appropriate for Congress to assess the operationalization of a new agency like the CFPB to clarify the limits of its authority and minimize redundancies or confusion that add undue costs ultimately passed on to consumers. The Business of Insurance Regulatory Reform Act provides important clarifications to the existing statute and helps mitigate these concerns.

Thank you again for your leadership on these issues, and we look forward to working with you.

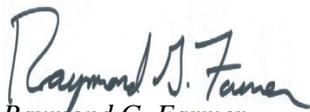
Sincerely,



*Julie Mix McPeak*  
NAIC President  
Commissioner  
Tennessee Department of  
Commerce & Insurance



*Eric A. Cioppa*  
NAIC President-Elect  
Superintendent  
Maine Bureau of Insurance



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*Michael F. Consedine*  
Chief Executive Officer  
National Association of Insurance  
Commissioners

cc: Representative Sean Duffy  
Representative Gwen Moore  
Representative Dennis Ross  
Representative John Delaney