

June 14, 2016

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

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

Dear Chairman Hensarling and Ranking Member Waters:

On behalf of the National Association of Insurance Commissioners (NAIC)¹, we applaud the leadership of Chairman Luetkemeyer and Congressman Heck in proposing legislative solutions that seek to help ensure that international insurance standards comport with our domestic insurance regulatory system, are beneficial to U.S. policyholders and insurance companies, and are developed with the direct involvement of state insurance regulators and the NAIC. Based on constructive discussions to clarify certain provisions, we are prepared to support H.R. 5143, the Transparent Insurance Standards Act of 2016, as amended by the proposed manager's amendment, and we would welcome the incorporation of aspects of Congressman Heck's proposed amendment to help facilitate a bipartisan approach to address this important issue.

As U.S. regulators participating in international standard-setting activities, we support and recognize the critical importance of international cooperation, yet we are also wary of any efforts by others to use international discussion to drive changes to our domestic regulatory regime that could potentially disadvantage U.S. insurers and policyholders and undermine the strength and stability of our system. While not binding on U.S. policymakers, international standards such as the IAIS's Insurance Core Principles (ICPs) form the basis for the International Monetary Fund's Financial Sector Assessment Program, which encourages adherence to the standards often without regard for differences in legal and regulatory structures or actual experience. If a jurisdiction's regulatory environment is evaluated based on potentially ill-fitting or inappropriate standards, it could impact the reputation of that regime and put pressure on policymakers to accept prescriptive international rules, even when those rules might be to the detriment of that jurisdiction's domestic insurance sector. Both proposals address this concern by ensuring that U.S. participants in international discussions remain focused on promoting international standards that are generally consistent and reflective of the proven laws and regulations of the United States insurance regulatory system.

¹ 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.

In addition, state insurance regulators believe that transparency is a hallmark of good public policymaking and ultimately leads to better outcomes for those impacted by the policies. As you know, we have long been committed to providing open forums for engagement by insurance consumers, industry representatives, and other stakeholders through the NAIC's transparent process, and our state-based system is better for it. We support these same principles with respect to global cooperation on insurance oversight and share the concerns regarding the need for greater transparency at international standard-setting bodies. We support provisions in H.R. 5143 that provide for increased transparency of federal activities through more formal reporting to and oversight by Congress.

Finally, we recognize the importance of U.S. federal agency coordination with the NAIC and state insurance regulators when participating in international standard-setting activities that could directly impact insurance regulation. To that end, we appreciate the inclusion of provisions in both H.R. 5143 and Congressman Heck's proposal that would ensure state regulators are involved in international discussions regarding the sector we regulate. While we are committed to working with federal agencies to ensure that international standards are aligned with our regulatory objectives and compatible with our markets, we appreciate efforts to promote more inclusion of and more effective coordination with state insurance regulators as well as providing more clarity around U.S. objectives for international discussions.

State insurance regulators are committed to encouraging a more transparent decision-making process at the international level and ensuring our national state-based system maintains a prominent voice in the development of international insurance supervision standards that could impact U.S. insurance market stakeholders. Thank you for your attention to this issue, and we look forward to working with you.

Sincerely,



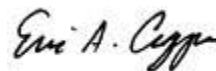
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Eric A. Cioppa
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Superintendent of Insurance
State of Maine, Department of Professional and
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cc: Chairman Luetkemeyer
Congressman Heck