

International Insurance Issues

- *International organizations such as the Financial Stability Board (FSB) and the International Association of Insurance Supervisors (IAIS) are developing global regulatory standards that are not in the best interests of U.S. consumers and industry and may be ill-suited to the U.S. system of insurance regulation.*
- *The NAIC supports the International Insurance Standards Act sponsored by Reps. Denny Heck (D-WA) and Sean Duffy (R-WI). The bill passed the House last Congress by voice vote and was included in the larger JOBS bill package which passed 406-4. However, it failed to be taken up by the Senate prior to adjournment.*
- *The International Insurance Standards Act would provide for greater insurance regulator participation in international discussions and Covered Agreements. Importantly, it would also ensure that our federal representatives oppose standards that would be incompatible with the U.S. system of insurance regulation, deferring to the judgments of domestic lawmakers and regulators to determine appropriate insurance regulatory requirements rather than international bodies.*

Background

The United States is the largest insurance market in the world and our national system of state regulation has been operating effectively for nearly 150 years. As a founding member of the International Association of Insurance Supervisors (IAIS), the NAIC and state regulators actively participate in international standard-setting activities and recognize the critical importance of international cooperation. The Treasury's Federal Insurance Office (FIO) and the Federal Reserve are members of the IAIS as well but have their own objectives and more limited authorities. The Treasury Department and the Federal Reserve are also members of the FSB and have excluded state insurance regulators from participation. We are wary of efforts to develop international standards that are not in the best interest of U.S. consumers, may be ill-suited to the U.S. system of insurance regulation or are developed in forums where state insurance regulators are not represented.

The International Insurance Standards Act would safeguard the U.S. position in international insurance negotiations by ensuring that federal representatives could only agree to international proposals or standards if the U.S. system of insurance regulation would satisfy the standard. It also ensures greater participation of insurance regulators in forming Covered Agreements, which are international agreements relating to prudential regulation of insurers. Further, it provides for robust congressional oversight before and during all international insurance negotiations, including reporting requirements and a formal mechanism for congressional consideration of Covered Agreements.

Key Points

- ✓ The NAIC and its members seek to closely coordinate with the Treasury and the Federal Reserve on international insurance matters, but support safeguards such as those in the International Insurance Standards Act to help ensure that federal objectives are more closely aligned with the interests of U.S. consumers, the U.S. insurance sector and its regulatory system.
- ✓ The bill ensures greater participation of state insurance regulators in international insurance standard-setting and Covered Agreement negotiations as they are responsible for implementing any new domestic regulatory standards and are best positioned to represent U.S. policyholders and insurers abroad.