

## MEMORANDUM

**To:** Members of the Committee on Financial Services

**From:** FSC Majority Staff

**Date:** January 30, 2014

**Subject:** February 4, 2014, Housing and Insurance Subcommittee Hearing Entitled “The Federal Insurance Office’s Report on Modernizing Insurance Regulation”

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On Tuesday, February 4, 2014, at 10:00 a.m. in Room 2128 of the Rayburn House Office Building, the Housing and Insurance Subcommittee will hold a hearing entitled “The Federal Insurance Office’s Report on Modernizing Insurance Regulation.” This hearing will examine the December 12, 2013 Federal Insurance Office (FIO) Report on how to modernize and improve insurance regulation in the United States.

This will be a two-panel hearing and will include the following witnesses:

### Panel 1

- Mr. Michael McRaith, Director, Federal Insurance Office
- Mr. Thomas Leonardi, Commissioner, Connecticut Insurance Department

### Panel 2

- Mr. Paul Ehlert, President, Germania Farm Mutual Insurance Association, on behalf of the National Association of Mutual Insurance Companies
- Mr. Gary Hughes, Executive Vice President and General Counsel, American Council of Life Insurers
- Mr. Jon Jensen, President, Correll Insurance Group, on behalf of the Independent Insurance Agents & Brokers of America
- Mr. Franklin W. Nutter, President, Reinsurance Association of America
- Mr. Robert Restrepo, Jr., President, Chairman and CEO, State Auto Insurance Companies, on behalf of the Property Casualty Insurers Association of America
- Mr. Scott Sinder, Partner, Steptoe & Johnson , on behalf of The Council of Insurance Agents & Brokers
- Mr. J. Stephen “Stef” Zielezienski, Senior Vice President and General Counsel, American Insurance Association

## Background

Title V of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. No. 111-203) established a Federal Insurance Office within the Treasury Department to provide the Federal government with information and expertise on insurance matters. In addition to assigning certain duties to the FIO Director, the Dodd-Frank Act required FIO to undertake a one-time study on how to modernize and improve the system of insurance regulation in the United States and report to Congress on its findings and recommendations.<sup>1</sup>

[The December 12, 2013](#) report outlines certain recommendations for modernizing insurance regulation; describes the history of insurance regulation; provides an analysis underlying the recommendations regarding prudential and marketplace oversight; and offers the basic principles of insurance regulatory reform.

The report identifies what FIO believes are inconsistencies within the U.S. insurance regulatory system. According to the report, the current insurance regulatory system creates “inefficiencies and burdens for consumers, insurers, and the international community.” These inefficiencies are due, in part, to the multiplicity of jurisdictions with authority over insurance matters within our state-based insurance regulatory system. FIO argues that “state regulation is often duplicative or inconsistent, that the multiplicity of jurisdictions makes state regulators more prone to ‘capture,’ and that differences in standards between the states provide opportunities for arbitrage, if not a race to the bottom.”

In the international context, FIO reasons in its report that the lack of uniformity among state regulators may create some competitive disadvantages for U.S. firms operating overseas. As a result, FIO highlights the necessity of a Federal presence in insurance regulation to maintain global competitiveness for U.S. insurance companies. FIO also asserts that it would be “much easier to negotiate internationally for more efficient and effective oversight of the insurance sector if U.S. insurance regulation had greater uniformity and predictability.” The report also emphasizes that the Federal government should not completely eliminate state regulation but, instead, create a hybrid system where “areas in which federal involvement in regulation under the state-based system (are) warranted.”

The hearing will explore FIO’s recommendations to modernize the system of insurance regulation.

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<sup>1</sup> 31 U.S.C. § 313.