STATEMENT
ON BEHALF OF THE
INDEPENDENT INSURANCE AGENTS & BROKERS OF AMERICA

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON INSURANCE, HOUSING
AND COMMUNITY OPPORTUNITY

UNITED STATES HOUSE OF REPRESENTATIVES

November 16, 2011

The Independent Insurance Agents & Brokers of America (IIABA or the Big "I") and our more than 300,000 members nationwide thank you for holding today's hearing entitled "Insurance Oversight and Legislative Proposals" focusing on the three important pieces of legislation under discussion. IIABA sees value in each bill and looks forward to working with the Subcommittee and the full House Financial Services Committee as you move forward.

The business of insurance is governed by a strong system of regulation at the state level. While in need of reform and modernization, the state system has met the two key components of regulation: financial oversight and consumer protection, as evidenced by

its performance throughout the recent financial crisis. Consequently, we believe that any federal involvement in the insurance market needs to be limited, targeted, and warranted, and this includes the role played by the newly created, non-regulatory, Federal Insurance Office (FIO).

It is for this reason that the bill to strike the subpoena authority of the FIO and the Office of Financial Research (OFR) to collect data from the insurance industry is of particular interest to the Big "I". Congress rightfully recognized and codified in statute as part of the Dodd-Frank Wall Street Reform Act that independent insurance agencies are not subject to the mandatory data collection powers or subpoena authority of FIO or OFR. Likewise, we see merit in further limiting the ability of these new entities to subpoena information from our company partners, since state regulators already have the power to collect such data. These duplicative data requests would undoubtedly become an undue burden on private business, unnecessarily adding to costs for consumers. The Congress should strongly consider striking this authority from statute.

The Big "I" also sees value in the measures that would clarify that insurers should not be subject to the application of the FDIC's orderly liquidation authority and the Federal Reserve's capital requirements and accounting standards. State insurance regulation already has in place proven safeguards and broad authority to guard against the risk of insolvency, protect policyholders, and ensure that companies meet their obligations to consumers. In the rare event of an insurer insolvency, the state guaranty fund system already provides a strong safety net. Potentially subjecting the insurance marketplace to FDIC liquidation authority would be redundant and unnecessary. In addition, it is important to note that insurance companies, and especially property casualty insurers, present very little systemic risk to the economy. The insurance market is very different from the banking and securities markets, and requiring insurers to participate in an FDIC resolution structure meant for banks or subjecting insurers to Federal Reserve capital standards makes little sense. State regulators already ensure that insurers maintain low leverage ratios and have large capital cushions to insulate against any market shocks. The Big "I" sees no merit in imposing requirements that duplicate or conflict with the proven standards and effective mandates that exist at the state level.

Thank you again for holding this hearing today and for your attention to these important matters.