

Outline for Federal Insurance Regulation

Financial services regulatory reform should include a federal functional insurance regulator. While state insurance regulation should remain available for those who choose it, the current environment, coupled with the structural limitations of the state system and the fact that insurance has become a global, integrated business, underscores the need for a dedicated federal insurance regulator that can coordinate seamlessly with a market stability oversight authority and interact with other financial service regulators at home and abroad. Strong and uniform federal regulation and supervision of insurance companies, producers and holding companies would reduce costs and risks to consumers and the economy. As Congress examines the creation of a financial stability regulator for all financial services institutions, it should give insurers and reinsurers the ability to be chartered and exclusively regulated at the federal level.

The principles below outline essential components of insurance regulation reform:

- **Market Stability Oversight** – A market stability oversight authority should be required to work with and through the federal functional insurance regulator. Federal market stability oversight should not undermine or duplicate the authority of that federal regulator. Only through this coordination will a market stability overseer have the ability to both detect and work with the functional regulator to act upon market activity and business practices that may adversely impact the broader markets and economy in a timely and comprehensive fashion.
- **Solvency Regulation** – Strong solvency regulation is central to consumer protection. A federal insurance regulator must have the authority to examine and address all factors material to the solvency of national insurers and reinsurers, including analyzing relevant financial data of non-insurance affiliates and insurance holding companies that may be germane to that financial regulatory authority.
- **Consumer Protection** – Federally regulated insurance companies and insurance producers should be subject to robust market conduct standards, including adequate complaint resolution procedures to resolve all consumer inquiries in an expeditious manner. This authority should not be undermined by bifurcated or inconsistent regulation at the federal or state level.
- **Uniform Standards** – Federally regulated insurance and reinsurance companies and insurance producers should be subject to uniform standards for all aspects of their operations.
- **Universal Regulation** – Federal insurance regulation should be equally available for all types of insurance companies and producers, all lines of insurance and reinsurance (other than health insurance for insurers and reinsurers), regardless of size, and should accommodate all corporate forms.
- **Independent Regulator** – The federal functional insurance regulator should be an independent office that is co-equal to other federal financial regulators, and the insurance industry should bear the cost of establishing and maintaining the regulator.
- **International Authority** – The federal insurance regulator must have the authority to represent the U.S. internationally on all relevant insurance issues.
- **State Taxation** – Federally regulated insurance companies should continue to be subject to non-discriminatory state premium taxes.
- **Guarantee Fund** – An efficient, financially-sound guaranty mechanism is essential. Federally regulated insurance companies writing insurance should participate in a mandatory guaranty mechanism that applies uniform and consistent standards.
- **Rate and Form Regulation** – Federally chartered insurance companies should be required to file insurance policy forms to ensure policies are consistent with consumer protection and solvency standards. Federal regulation must encourage insurance companies to develop new and enhanced insurance products. Prices for insurance should be determined by competitive market forces, rather than government rate regulation.