International Insurance Issues

- International organizations based in Europe, including the Financial Stability Board (FSB) and the International Association of Insurance Supervisors (IAIS), are moving to establish global standards that, in some cases, may not be consistent with current U.S. policy, our state-based system of insurance regulation, or the best interests of U.S. consumers and industry.

- U.S. regulators, legislators, policyholders, and insurers have all called for greater transparency in the discussions and decisions of the FSB and the IAIS that although are non-binding, nevertheless could impact the U.S. insurance sector.

- Congress has an important role to play in overseeing the international insurance roles and policy objectives of the Treasury and the Federal Reserve, since both are deeply engaged in the decisions of the FSB and the IAIS that are rewriting rules at the international level.

Background

The U.S. insurance market is the largest and most competitive in the world. Over 6000 insurers operate here with $7 trillion in assets and nearly $1.8 trillion in annual premium. The states have long played an important role in promoting the growth and preserving the strength of the U.S. insurance sector, and 24 U.S. states are among the world’s 50 largest insurance markets. U.S. state insurance regulators have also been involved in international efforts to enhance regulatory and supervisory cooperation. The NAIC has helped the states coordinate domestically and internationally for many years, and its track record for resolving issues and achieving positive outcomes in the insurance sector has been strong. State regulators are engaged in leadership roles as group-wide supervisors who coordinate the oversight of U.S. insurance groups that operate across many jurisdictional borders. The NAIC and its 56 members are all members of the IAIS, but the states have been joined at the IAIS table by the Federal Insurance Office (FIO) and the Federal Reserve, which each have their own agenda and responsibilities based on their authorities established by Congress. The IAIS agenda has recently been driven by the FSB, which imposed international pressure on U.S federal authorities by designating three U.S. insurers as potential threats to the global financial system. The FSB also directed the IAIS to develop global capital standards for internationally active insurance groups, regardless of whether or not they posed a systemic threat.

Key Points

- The states are working hard to increase coordination on insurance matters with the FIO and the Federal Reserve, particularly when they demonstrate a willingness to collaborate with the states. Nevertheless, many state government officials share a general concern that the federal agenda should be more aligned with the state-based system, which is focused on protecting policyholders and maintaining stable and competitive insurance markets.

- Many stakeholders and regulators continue to question whether some of the proposed international standards are warranted, given the current financial strength of the insurance sector. In addition, many are concerned about the potential costs of imposing more prescriptive standards, including rigid global group capital standards, which could discourage long-term investment and limit the variety of insurance products available in the U.S. market.

- The U.S. insurance market remained stable and competitive during the recent crisis. Today policyholders are well-protected and insurers are well-capitalized. State regulators believe in the enduring quality of the U.S. system of state-based regulation, and we appreciate the strong support in Congress for the states on insurance matters.