INSURANCE REGULATORY REFORM

Under the McCarran-Ferguson Act states are the primary regulators of the business of insurance, including independent insurance agents and brokers. State-based insurance regulation offers considerable benefits, including in the vital areas of insurer solvency and consumer protection. For decades, the Big "I" has been a leading supporter of state insurance regulation and the association strongly opposes any form of federal regulation of insurance. The Big "I" believes that the attributes of the state-based system outweigh any perceived inefficiencies, but that the system must be modernized as the marketplace continues to evolve.

The Big "I" urges Congress to support significantly restricting or eliminating the Federal Insurance Office (FIO).

The FIO was created by the Dodd-Frank Act to be an information-gathering body within the Treasury Department, support international insurance agreement negotiations, and to conduct studies and reports on the insurance market. Over the years, the FIO has proven to have questionable value for insurance markets and consumers. As such, the Big "I" supports H.R. 1862 by Rep. Alex Mooney (R-WV) which would eliminate the FIO.

The Big "I" asks Congress to support a modernized system of state-based insurance regulation.

The Big "I" is concerned that some federal and international efforts could lead to an erosion of state-based insurance regulation and consumer protections. The association supports stronger procedural guidelines for federal officials in international insurance negotiations and increasing transparency and oversight in these negotiations. The Big "I" also opposes federal interference with the ability of state regulators to manage their respective insurance markets, as each state insurance market faces unique local risks. H.R. 1756, legislation introduced by Rep. Rashida Tlaib (D-MI), would prohibit the use of consumer credit reports in the underwriting process for auto insurance. The Big "I" opposes efforts like this because they inappropriately preempt state insurance laws.

The Big "I" urges Congress to oppose any effort to expand Risk Retention Groups (RRGs).

RRGs, which allow similarly-situated groups to pool risks, were created by the Liability Risk Retention Act (LRRA) in the 1980s in response to a specific market crisis. While Congress authorized RRGs for the narrow purpose of offering commercial liability insurance, some are calling on Congress to allow certain RRGs to also offer commercial property insurance. The Big "I" strongly opposes such an expansion because it would needlessly preempt state insurance law, undermine state insurance markets, and put consumers at risk. There is no market need for such an expansion because commercial property products are available via traditional insurance markets. Also, RRGs are not subject to the same type of regulation as insurance companies and preempting state consumer protection and solvency laws to allow RRGs to insure property risks would result in riskier and less comprehensive insurance products for consumers.

The Big "I" encourages Congress to support the long-overdue appointment of a Board of Directors for NARAB.

NARAB was authorized by Congress in 2015 but is not yet operational. Once operational, NARAB will be a portal that enables insurance agents and agencies wishing to join NARAB to satisfy non-resident licensing requirements across multiple states, while still maintaining state consumer protection requirements and regulatory oversight. NARAB will be a non-governmental entity overseen by a Board of Directors that is appointed by the President and confirmed by the Senate. After a lengthy process in 2016, the White House submitted some candidates for the Board. However, the Senate failed to confirm the nominees before the election and the resulting change in administrations has slowed the process. NARAB nominees must be resubmitted to the Senate Banking Committee, but the Trump Administration has yet to submit any nominees as it works to fill higher level positions.