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GOVERNMENT RELATIONS
ISSUE BRIEF

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NAIC
National Association of Insurance Commissioners
The Center for Insurance Policy and Research

International Insurance Issues

- *International organizations based in Europe, including the Financial Stability Board (FSB) and the International Association of Insurance Supervisors (IAIS), are working to develop global standards that may be well-intentioned in theory but ineffective in practice and, in some cases, may be inconsistent with current U.S. policy, our state-based system of insurance regulation, and the best interests of U.S. consumers and industry.*

- *U.S. state insurance regulators, legislators, policyholders, and insurers have all called for greater transparency in the discussions and decisions of the FSB and the IAIS as well as more accountability in the activities of the U.S. Department of Treasury and the Federal Reserve Board on international insurance matters.*

- *Congress has an important role to play in overseeing U.S. policy on international efforts to develop global standards for regulating the insurance sector, and in particular, the roles and objectives of the Treasury and the Federal Reserve, since both are deeply engaged in the decisions of the FSB and the IAIS. Although international standards are advisory only and non-binding, they nevertheless could be implemented in many jurisdictions and ultimately impact the competitiveness of the U.S. insurance sector.*

Background

The U.S. insurance market is the largest and most competitive in the world. More than 6100 insurers operate here with assets of $7 trillion and $2 trillion in annual premium. The insurance sector employs 2.2 million people directly and provides investment capital to fund local infrastructure projects, which also provide jobs. 23 U.S. states are among the world's 50 largest insurance markets, and collectively the states play a prominent role in promoting the growth and preserving the strength of the U.S. insurance sector, which in turn supports financial risk management and growth in all sectors. The NAIC has enabled the states to coordinate domestically and internationally for many years, and the state-based system's track record has been excellent for protecting policyholders and maintaining stable and competitive markets. Congress also recognizes that U.S. state regulators oversee 100% of the U.S. private insurance market and are engaged in international leadership roles as group-wide supervisors who coordinate the oversight of large complex U.S. insurance groups that operate across many jurisdictional borders. While the NAIC and its members are effectively the largest member of the IAIS, the Federal Insurance Office and the Federal Reserve are also members, each with their own objectives, more narrow authorities, and more limited insurance experience. They are also members of the FSB, which excludes state regulators and the NAIC.

Key Points

- ✓ The NAIC and its members would welcome more support from Treasury and the Federal Reserve, but many state government officials share a general concern that federal objectives are not closely aligned with the state-based system, which provides policyholder protections and maintains stable and competitive insurance markets.

- ✓ Many U.S. stakeholders and state regulators continue to question whether some aspects of the proposed international standards are warranted, given the current financial strength of the insurance sector. The potential costs of new global group capital standards could discourage long-term investment and limit the variety of insurance products available.

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

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