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GOVERNMENT RELATIONS
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# FSOC Vote for Insurance Regulators

- The Financial Stability Oversight Council (FSOC) was established by the Dodd-Frank Act to identify risks to the financial stability of the United States, promote market discipline, and to respond to emerging risks to the stability of the United States' financial system.

- FSOC has the authority to designate those insurance companies, whose financial distress or activities could pose a threat to financial stability for heighted supervision by the Federal Reserve as well as make recommendations to regulators on improvements to the state insurance regulatory system.

- State insurance regulators are the only primary financial regulators of a financial sector without a vote on the Council and are the only regulators that can broadly address risks the Council identifies in the insurance sector.

FSOC was established by the Dodd-Frank Act to identify risks to the financial stability of the United States. FSOC is composed of 9 voting members representing the primary regulators of all the financial sectors other than insurance, a voting independent member with insurance expertise, and 5 non-voting members including a non-voting state insurance regulator. FSOC has the authority to identify insurance companies (and other non-bank institutions) whose material financial distress or activities could pose a threat to the financial system of the United States. It also has the authority to make recommendations on regulatory changes to primary financial regulators. The Treasury Department has recently recommended that FSOC focus more on identifying activities of financial firms or industries that could pose risks to financial stability and to work more closely with primary regulators to address them.

To ensure that the broader insurance regulatory perspective is adequately represented in FSOC decisions that could affect the insurance sector and its regulation, state insurance regulators, as the primary functional regulators of the U.S. insurance sector, should have a voting seat on FSOC just like the primary regulators of the other financial sectors. State insurance regulators have the necessary expertise and information regarding the sector to inform FSOC's risk monitoring work and help identify any systemic risks that could impact the insurance industry. Further, state insurance regulators are the only members that can commit to take regulatory action across the insurance sector to address any risks the Council may identify or other relevant regulatory concerns that may arise. Of the 10 voting members, nine are financial regulators with limited or no jurisdictional authority over insurance. The Federal Reserve has limited regulatory authority within the insurance sector as they only regulate FSOC designated firms and Depository Institution Holding Companies with insurance operations. The voting Independent Member with Insurance Expertise has no regulatory authority and therefore cannot implement any FSOC recommendations to address risks in the insurance sector. The Treasury's Federal Insurance Office serves as a non-voting member but it does not have regulatory authority and ultimately reports to the Treasury Secretary who already has a vote and serves as chairperson of the Council.

- ✓ Insurance regulators have the necessary expertise regarding the sector to inform FSOC's risk monitoring work and are the only regulators that can commit to taking regulatory action across the insurance sector in response to any risks the Council may identify.

- ✓ Providing state insurance regulators a vote on the FSOC will ensure all primary financial regulators of the financial sector have a vote on the Council.

- ✓ A state insurance regulator vote on the Council will only benefit the Council and its important work of monitoring and improving the financial stability of all the financial sectors in the United States.

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