

WRITTEN STATEMENT OF
THE HONORABLE NEIL BRESLIN, NEW YORK STATE SENATE

Ranking Member, NYS Senate Insurance Committee
President, National Conference of Insurance Legislators (NCOIL)
Chair, NCOIL International Issues Task Force

“THE IMPACT OF INTERNATIONAL REGULATORY STANDARDS
ON THE COMPETITIVENESS OF U.S. INSURERS, PART II”

SUBCOMMITTEE ON HOUSING AND INSURANCE,
COMMITTEE ON FINANCIAL SERVICES,
U.S. HOUSE OF REPRESENTATIVES

NOVEMBER 18, 2014

Good afternoon Chairman Neugebauer, Ranking Member Capuano, and Members of the Subcommittee. Thank you for inviting me to testify regarding international regulatory standards and their impacts on U.S. insurance regulation. My name is Neil Breslin, NYS Senator and President of the National Conference of Insurance Legislators (NCOIL).

It is clear that U.S. insurance regulation is confronting historic challenges. Our more than 150 years of effective oversight—which strikes a balance between the needs of consumers and the importance of healthy and competitive markets—is under pressure from international officials whom NCOIL believes may not understand or appreciate what state regulation does so well. Our system, which came through the financial crisis well, is being second-guessed by officials from countries that had a far different experience.

My colleagues at NCOIL and I believe strongly that global insurance discussions must be open and allow for broad comment during development of proposed standards, must “do no harm” to state regulation, and absolutely must include a vehicle for state legislators, as well as regulators, to weigh in.

Transparency and Accountability

Transparency and open deliberations are a foundation of the U.S. state legislative process and likewise are critical if state lawmakers, who enact the laws regulating insurance in this country, are to have confidence in the regulation they are asked to consider—including rules that emanate from overseas. It is a fundamental NCOIL belief that openness and transparency are critical in any and all international dialogues affecting the U.S. system—and we assert that state legislators should not be asked to accept, and would be hard-pressed to support, proposals that have not been developed based on those standards. Failure to allow for due process and to require accountability can have negative consequences for insurers large and small and for the consumers who rely on them.

We are dismayed by discussions outside the U.S. that do not parallel our guiding principles. In particular, we have expressed concern that the International Association of Insurance Supervisors (IAIS), while most likely well-meaning in its efforts to develop global insurance standards, has pursued a path that limits access to IAIS deliberations and makes it more difficult for interested parties to comment. The growing urgency of IAIS initiatives—particularly regarding capital standards, group supervision, and corporate governance—demands a more, not less open approach.

Cooperation and Coordination

It is critically important that those who represent the U.S. overseas stand together when it comes to any proposal affecting U.S. insurers and ultimately consumers, and there must be clear understanding that insurance companies do not operate like banks and that bank-centric proposals would make it more difficult for U.S. companies. Regulation that works in the banking industry may be entirely inappropriate for insurance.

NCOIL, through an NCOIL International Issues Task Force that I have the honor of chairing, is working with the National Association of Insurance Commissioners (NAIC) and with other advocates of state oversight to ensure that federal entities—particularly those involved at the IAIS and at the Financial Stability Board (FSB)—stand up for the U.S. system and challenge any attempt to disregard its principles. As you can see by our numerous appendices, we have reached out to the FIO, the Department of Treasury, the SEC, and the Federal Reserve—as well as to the IAIS, the FSB, and others. We have pressed for coordination and cooperation, for open dialogue, and for a better understanding of the U.S. system. We also are committed to ensuring that there is a meaningful mechanism for state legislators—who are in direct contact with the consumers who are the ultimate winners and losers in dialogues over insurance regulation—to share the legislative perspective.

Role of State Legislators

The absence of a legislative voice in international discussions may present an inadvertent danger to effective U.S. insurance markets, which represent one-third of the global insurance industry, and to the consumers and businesses they serve. There needs to be a formal way for state lawmakers to participate and, though we appreciate expressions of interest in working with state legislators, we look for a more official role.

In that regard, we are pleased that the FIO recently included, for the first time, a legislator on its Federal Advisory Committee on Insurance (FACI)—a decision that NCOIL urged in 2011 when FACI first came into being—and in particular that Rep. George Keiser, a North Dakota state legislator and past NCOIL president—was the legislator chosen for membership. As some in this room may know, NCOIL has been concerned that as created under the Dodd-Frank Act, the FIO is subject to “mission creep” both domestically and internationally, and so at this unprecedented time in insurance regulation, we especially welcome a legislative seat at the table.

Conclusion

I am here to say that while state regulation is not perfect, state legislators and regulators are always working to enhance areas where reform is needed, and NCOIL and the NAIC have worked together over the years to effect such change. The U.S. has a long history of protecting consumers and promoting strong markets—in both good and trying financial times—and there is real harm in international insurance discussions that would unravel a U.S. system that may be different from other insurance regulation around the world—but that works. My colleagues and I at NCOIL are committed to ensuring that state-based regulatory mechanisms are not compromised, and we look forward to working with you toward that end.

Thank you again for the opportunity to speak.

APPENDICES FOLLOWING:

1. NCOIL *Resolution Regarding Guiding Principles for U.S. and International Insurance Regulatory Discussions* (July 13, 2014)
2. NCOIL *Resolution Regarding the States' Response to International Proposals for Insurer Solvency Regulation & a Global Insurance Capital Standard (ICS)* (July 13, 2014)
3. NCOIL *Resolution Concerning Principles of State Sovereignty in International Trade* (July 13, 2014)
4. NCOIL letters to federal and international officials regarding need for a legislative voice in international insurance discussions (July 21, 2014)
5. NCOIL letter to U.S. House Financial Services Committee in support of H.R. 4510, the *Insurance Capital Standards Clarification Act* (July 29, 2014)
6. NCOIL comments to IAIS regarding IAIS proposal to close meetings, limit interested-party input (September 2, 2014)
7. NCOIL letters to Congress in support of H. Res. 735/S. Res. 561 regarding IAIS openness and transparency (October 14/16, 2014)

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS (NCOIL)

Resolution Regarding Guiding Principles for U.S. and International Insurance Regulatory Discussions

Adopted by the NCOIL Executive Committee on July 13, 2014, and by the NCOIL International Insurance Issues Task Force on July 10, 2014. Sponsored by Sen. Jason Rapert (AR), chair of the Task Force's Coordination & Transparency Working Group

WHEREAS, U.S. federal entities, including the Department of Treasury, Federal Insurance Office (FIO), and Federal Reserve Board are pursuing initiatives, individually and/or through interactions with key international organizations, that could affect how U.S. insurers operate in this country and elsewhere; and

WHEREAS, developments at the Financial Stability Board (FSB) and the International Association of Insurance Supervisors (IAIS) have the potential to directly impact U.S. insurance regulation and insurers and, as a result, U.S. consumers; and

WHEREAS, state regulation successfully has fostered robust, competitive markets that have served consumers well for more than 150 years, in both good and trying financial times, and represents one-third of the insurance market worldwide; and

WHEREAS, the state insurance regulatory system in the U.S. is transparent and open to all stakeholders, is accountable to the public, and is governed by the rule of law; and

WHEREAS, the National Conference of Insurance Legislators (NCOIL), an organization of state legislators dedicated to the proper regulation of U.S. insurance markets, recognizes the importance of transparent dialogue and cooperation between stakeholders involved in and affected by the oversight of insurance in the states and internationally; and

WHEREAS, transparency and open deliberations are a foundation of the U.S. state legislative process and likewise are critical if state lawmakers, who enact the laws regulating insurance in this country, are to have confidence in the proposed insurance regulation they are asked to consider, including regulation that emanates from international initiatives; and

WHEREAS, working with state insurance regulators and other state officials, as well as with consumer and industry representatives, NCOIL legislators through their International Issues Task Force are moving to ensure that efforts here and abroad, though well-meaning, do not endanger protections afforded under state-based insurance regulation; and

WHEREAS, there currently is no meaningful avenue in current international dialogues for state legislators to weigh in.

WHEREAS, failure to include and respect the voice of state legislators and regulators in development of federal and global proposals regarding insurance could have far-reaching, troubling consequences for U.S. markets; and

NOW, THEREFORE, BE IT RESOLVED that NCOIL calls for creation of a meaningful mechanism so that state legislators and insurance regulators can effectively participate in international discussions affecting insurance.

BE IT RESOLVED that NCOIL strongly believes that any international initiatives impacting state insurance regulation should be guided by a need for due process and transparency.

BE IT RESOLVED that NCOIL is committed to engaging with federal and global officials in the months and years to come and will further its collaborations at the state level and with other key parties.

BE IT FINALLY RESOLVED that a copy of this resolution be sent to state legislators and regulators, to Congressional leadership, to the Financial Stability Board and the International Association of Insurance Supervisors, and to the Consumer Financial Protection Bureau, Department of Treasury, Federal Insurance Office, and Federal Reserve Board.

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS

Resolution Regarding the States' Response to International Proposals for Insurer Solvency Regulation and a Global Insurance Capital Standard (ICS)

Adopted by the NCOIL Executive Committee on July 13, 2014, and by the International Issues Task Force on July 10, 2014, and amended on July 11, 2014. Sponsored by Sen. James Seward (NY), chair of the Task Force's Capital Standards Working Group

Whereas, the Financial Stability Board (FSB) has directed the International Association of Insurance Supervisors (IAIS) to establish a quantitative insurance capital standard (ICS) for Internationally Active Insurance Groups (IAIGs), including a number of U.S. companies, and

Whereas, the FSB also issued a "peer review" critical of the U.S. insurance regulatory system (specifically focusing on group-wide supervision) despite the fact that our system aligns with the insurance business model and has well served markets and consumers for over a century, and proved resilient during the global financial crisis, and

Whereas, the IAIS has agreed to follow the FSB instructions to develop the ICS according to an unrealistic timeframe, and

Whereas, the IAIS and the FSB are private associations of financial service regulators without legal authority beyond their individual, respective jurisdictions, and

Whereas, those private associations lack independent accountability to elected legislatures, and

Whereas, the original FSB mandate and development of international insurance regulatory standards are being conducted in a manner that does not provide the level of opportunity for open public comment and deliberation that are due process hallmarks of law and rulemaking in the United States, and

Whereas, some global standards for solvency regulation and accounting may conflict with existing regulation and standards within the United States and the individual states, and

Whereas, the National Association of Insurance Commissioners (NAIC) Model Holding Company Act allows state insurance regulators to participate in and even lead global supervisory colleges without surrendering the domestic regulator's authority, and

Whereas, a group capital requirement may erode policyholder protection, and

Whereas, the U.S. state insurance legislatures and regulators responsible for establishing, implementing and overseeing standards for solvency regulation and policyholder protection may find that the IAIS ICS requirements, once identified, are misplaced, unnecessary and duplicative, and

Whereas, as systemic risk to the financial system and solvency risk to insurers arises from causes other than insufficient capital, the ICS focus on capital requirements is only a partial approach to preventing financial crises and prudential regulation of insurers, and

Whereas, a one-size-fits-all global ICS would fail to adequately recognize jurisdictional differences such as different accounting standards throughout the world, specifically in the United States the effective and state-required use of Statutory Accounting Principles, or significant and complex differences in risk and capital needs from one insurance group to another, and

Whereas, unlike the other approaches to solvency regulation, the United States system of solvency regulation and insurance regulatory principles are focused on policyholder protection, including guaranty funds, not on investors, creditors or other stakeholders.

THEREFORE, BE IT RESOLVED the National Conference of Insurance Legislators calls upon the NAIC, the U.S. representatives to the Financial Stability Board (FSB), and the Federal Insurance Office (FIO) to oppose the creation of any additional set of international solvency standards, including a global ICS, that fails to adequately and appropriately accommodate the proven US approach to insurer solvency regulation;

AND, BE IT RESOLVED the National Conference of Insurance Legislators opposes mandating the Fair Value measurements and market consistent valuation methodologies favored by the IAIS and encourages the NAIC, the FSB, and the FIO to likewise oppose;

AND, BE IT ALSO RESOLVED the National Conference of Insurance Legislators coordinate with U.S. state insurance regulators and federal agencies to formulate a unified U.S. position that is consistent with the policies and laws of the states on global insurance capital standards for the benefit of policyholder protection and to further the competitiveness of the U.S. insurance industry;

AND, BE IT ALSO RESOLVED the National Conference of Insurance Legislators encourages all state legislatures to support our state-based system of insurance regulation by enacting resolutions similar to this one;

AND, BE IT ALSO RESOLVED the National Conference of Insurance Legislators urges the states' governors and Congressional delegations to write letters and to otherwise communicate these concerns to US representatives on the FSB, including the Secretary of the Treasury, the chair of the Board of Directors of the Federal Reserve and the chair of the Securities and Exchange Commission;

AND, BE IT FURTHER RESOLVED that a copy of this Resolution be sent to each state legislature, each state insurance regulator, the NAIC, the FIO, the FSB, the IAIS, the US Department of the Treasury, the Board of Governors of the Federal Reserve System, the SEC, and to members of Congress to encourage coordination among these parties in the formulation and articulation of U.S. policy on global insurance capital standards.

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS (NCOIL)

Resolution Concerning Principles of State Sovereignty in International Trade

Adopted by the NCOIL Executive Committee on July 13, 2014, and by the International Issues Task Force on July 10, 2014. Sponsored by Rep. Kathleen Keenan (VT), chair of the Trade Agreement Working Group

WHEREAS, a history of free trade agreements, including the North American Free Trade Agreement (NAFTA), the Central American Free Trade Agreement (CAFTA), and numerous bilateral free trade agreements have resulted in enormous economic and legal impacts on the states; and

WHEREAS, the United States, through the U.S. Trade Representative (USTR), is currently in the process of negotiating two broad multilateral agreements, the Trans-Atlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP), as well as a Trade in Services Agreement (TISA); and

WHEREAS, ongoing negotiations regarding TTIP, TPP, and TISA need more transparency, accountability to elected officials and regulators, and mechanisms for serious consultation with the states; and

WHEREAS, conflict resolution provisions of international trade agreements have significant implications for state sovereignty and raise concerns regarding open debate and potential cost burdens for the states; and

WHEREAS, these negotiations are being conducted in a manner that does not provide the opportunity for an appropriate degree of public debate and deliberation in relation to the size and importance of the proposed agreements; and

WHEREAS, extreme caution is needed in international trade negotiations to avoid preempting state-level decisions with regard to the regulation of insurance and reinsurance; and

WHEREAS, it is appropriate and necessary that state legislators make clear the principles for which they stand on matters of sovereignty, transparency, due process, and the preservation of an historically effective system of regulation that has endured numerous challenges including the 2008 financial crisis.

WHEREAS, the voice of state legislators is largely unheard in the context of international trade despite the consequences borne by states as a result of previous international trade agreements; and

WHEREAS, NCOIL has, on a number of occasions, urged the USTR to expand state legislative participation on the Intergovernmental Policy Advisory Committee (IGPAC), but to date the USTR has not done so;

WHEREAS, the National Association of Insurance Commissioners, representing state insurance regulators, and the Federal Insurance Office (FIO) have venues through which they can input into international trade activity; and

NOW, THEREFORE, BE IT RESOLVED that the National Conference of Insurance Legislators supports expanded and continuous involvement by the states, through their elected legislative and other representatives, in all ongoing and future international trade agreement negotiations.

AND, BE IT RESOLVED that federal-state consultation should include the timely and comprehensive sharing of information on the substance and likely impact of trade agreements on state laws and regulations; appropriate use of state single points of contact (SPOCs); and a reasonable opportunity for meaningful input by the states;

AND, BE IT ALSO RESOLVED that the National Conference of Insurance Legislators opposes preemption of non-discriminatory state laws and regulations adopted for a public purpose and with due process by “no more burdensome than necessary” and similar standards.

AND, BE IT ALSO RESOLVED that the National Conference of Insurance Legislators supports according state regulations presumptive validity under any international trade agreement;

AND, BE IT ALSO RESOLVED that the National Conference of Insurance Legislators opposes any provision of an international trade agreement that grants greater substantive or procedural rights to foreign investors than to citizens and domestic businesses;

AND, BE IT ALSO RESOLVED that the National Conference of Insurance Legislators supports international trade conflict resolution proceedings that apply due process principles to affected states, including open hearings, state access to documents, and an opportunity for state governments to participate in the proceedings;

AND, BE IT FURTHER RESOLVED that a copy of this resolution will be sent to each state legislature, each state insurance regulator, the National Association of Insurance Commissioners, the U.S. Trade Representative, the U.S. Department of Commerce, the U.S. Department of State, and members of Congress.



PRESIDENT: Sen. Neil Breslin, NY
PRESIDENT-ELECT: *Vacant*
VICE PRESIDENT: Sen. Travis Holdman, IN
SECRETARY: Rep. Steve Riggs, KY
TREASURER: Sen. Jason Rapert, AR

**(LETTER SENT TO THE FIO, U.S. DEPT. OF TREASURY, SEC, AND
FEDERAL RESERVE SYSTEM BOARD OF GOVERNORS)**

VIA E-MAIL

July 21, 2014

Honorable Michael T. McRaith
Director, Federal Insurance Office
Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220-0002

Dear Director McRaith:

I write as President of the National Conference of Insurance Legislators (NCOIL), an organization of state lawmakers dedicated to the proper regulation of U.S. insurance markets, to express NCOIL’s strong interest in working with you in the months and years to come, in light of the critical role that state legislators can and should play in international efforts affecting insurance.

As we move forward in a smaller, increasingly interconnected world, we believe it is incumbent upon federal agencies to recognize the importance of state-based insurance regulation and the legislative voice that NCOIL provides. State legislators who debate and enact the insurance laws in this country—including those emanating from overseas initiatives—must have a part in international efforts in order to be confident that the proposals legislators are asked to adopt are in the best interests of their constituents. The absence of a legislative voice in international discussions may present an inadvertent danger to effective U.S. insurance markets, which represent one-third of the global insurance industry, and to the consumers and businesses they serve.

As insurance legislators we work with regulators constantly to shape our markets so they best respond to today’s complex insurance environment. The recent financial crisis was a further cause to step back and reevaluate what works well and what might be enhanced in insurance regulation both here and around the world. We are looking today to make certain that current international endeavors are not a solution in search of a problem and do not negatively impact the successful U.S. approach.

Through a recently created NCOIL International Issues Task Force, NCOIL is strengthening its collaborations with state insurance regulators and other officials as well as with consumer and insurer representatives to ensure that U.S. consumers remain well-protected. We look forward to dialoging—through more formalized channels than now exist—with you also.

Should you have questions or wish to discuss future outreach, please feel free to contact Susan Nolan, NCOIL Executive Director, in the NCOIL National Office at snolan@ncoil.org or 518-687-0178.

Sincerely,

A handwritten signature in cursive script that reads "Neil D. Breslin".

Sen. Neil Breslin (NY)
NCOIL President



PRESIDENT: Sen. Neil Breslin, NY
PRESIDENT-ELECT: *Vacant*
VICE PRESIDENT: Sen. Travis Holdman, IN
SECRETARY: Rep. Steve Riggs, KY
TREASURER: Sen. Jason Rapert, AR

(LETTER SENT TO THE IAIS AND THE FINANCIAL STABILITY BOARD)

VIA E-MAIL

July 21, 2014

The Honorable Yoshihiro Kawai
Secretary General
International Association of Insurance Supervisors
c/o Bank for International Settlements
CH-4002 Basel
Switzerland

Dear Secretary General:

I write as President of the National Conference of Insurance Legislators (NCOIL), an organization of state lawmakers dedicated to the proper regulation of U.S. insurance markets, to express NCOIL’s strong interest in working with you in the months and years to come, in light of the critical role that state legislators can and should play in international efforts affecting insurance.

As we move forward in a smaller, increasingly interconnected world, we believe it is incumbent upon international organizations to recognize the importance of state-based insurance regulation and the legislative voice that NCOIL provides. State legislators who debate and enact the insurance laws in this country—including those emanating from overseas initiatives—must have a part in international efforts in order to be confident that the proposals legislators are asked to adopt are in the best interests of their constituents. The absence of a legislative voice in international discussions may present an inadvertent danger to effective U.S. insurance markets, which represent one-third of the global insurance industry, and to the consumers and businesses they serve.

As insurance legislators we work with regulators constantly to shape our markets so they best respond to today’s complex insurance environment. The recent financial crisis was a further cause to step back and reevaluate what works well and what might be enhanced in insurance regulation both here and around the world. We are looking today to make certain that current international endeavors are not a solution in search of a problem and do not negatively impact the successful U.S. approach.

Through a recently created NCOIL International Issues Task Force, NCOIL is strengthening its collaborations with state insurance regulators and other officials as well as with consumer and insurer representatives to ensure that U.S. consumers remain well-protected. We look forward to dialoging—through more formalized channels than now exist—with you also.

Should you have questions or wish to discuss future outreach, please feel free to contact Susan Nolan, NCOIL Executive Director, in the NCOIL National Office at snolan@ncoil.org or 518-687-0178.

Sincerely,

A handwritten signature in black ink that reads "Neil D. Breslin". The signature is written in a cursive style with a large, stylized "N" and "B".

Sen. Neil Breslin (NY)
NCOIL President



PRESIDENT: Sen. Neil Breslin, NY
PRESIDENT-ELECT: *Vacant*
VICE PRESIDENT: Sen. Travis Holdman, IN
SECRETARY: Rep. Steve Riggs, KY
TREASURER: Sen. Jason Rapert, AR

VIA E-MAIL

July 29, 2014

The Honorable Jeb Hensarling
Chair, Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling:

As President of the National Conference of Insurance Legislators (NCOIL), I write to express NCOIL support for H.R. 4510, the *Insurance Capital Standards Clarification Act*, legislation that seeks to ensure that capital standards that insurers are required to meet are appropriate for the industry.

As an organization of state lawmakers dedicated to the proper regulation of U.S. insurance markets, we have expressed our concerns through resolution and letters to Congress and others that application of bank-like capital standards to insurance companies would harm policyholders and businesses alike. H.R. 4510 would address this concern and mitigate the imposition of "one size fits all" bank-centric standards to insurers. It would make clear in current law that insurers should be held to capital rules that acknowledge the inherent, critical differences between how insurers and banks operate.

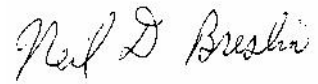
H.R. 4510 would not relax capital standards for any insurer or bank. Insurance companies under H.R. 4510 would still abide by the strict capital rules mandated under state insurance regulation, which have protected insurance consumers and businesses for more than 150 years. State regulation recognizes that insurers have long-term liabilities, while banks have short-term liabilities and need to cover a depositor run.

The legislation is a commonsense approach that would remove any confusion regarding the original intent of Section 171 of Dodd-Frank. Senator Susan Collins (ME) has testified that imposing bank capital rules on insurers had not been her intent when writing Section 171. Senator Collins has introduced Senate companion legislation that easily passed that chamber. H.R. 4510 also enjoys broad support among both Republicans and Democrats in the House and Senate, and insurance regulators and industry experts.

NCOIL believes that regulation of insurance companies should be strong and fair. We continue to urge Congress, as well as federal and state entities in international dialogues, to acknowledge the success of state-based insurance regulation. H.R. 4510 would accomplish that goal by allowing the Federal Reserve the flexibility to apply capital standards that are appropriate to the insurance industry.

Please feel free to contact Susan Nolan, NCOIL Executive Director, in the NCOIL National Office at snolan@ncoil.org or 518-687-0178 should you have any questions. Thank you for your attention.

Sincerely,

A handwritten signature in cursive script that reads "Neil D. Breslin".

Sen. Neil Breslin (NY), NCOIL President

cc: The Honorable John Boehner
Members of the Financial Services Committee

**NCOIL Comments to International Association of Insurance Supervisors (IAIS)
on Proposal re: IAIS Meeting Participation & Consultation with Stakeholders**

(submitted on September 2, 2014)

The National Conference of Insurance Legislators (NCOIL)—an organization of state legislators who chair and are guiding forces in the committees responsible for introducing, debating, and endorsing insurance laws in each U.S. statehouse—appreciates the opportunity to comment on the IAIS *Draft Procedures on Meeting Participation and the Development of Supervisory and Supporting Material and Draft Policy for Consultation of Stakeholders*. While we recognize the increasing role that the IAIS is playing in international discussions and understand IAIS interest in promoting efficiency, we would like to stress certain practices that need to be observed regarding the approach that IAIS may take.

NCOIL believes that openness and transparency are a requirement in any and all international dialogues that would impact the successful U.S. regulatory system and continue to encourage such methods of due process, most recently in resolutions adopted on July 13 relating to capital standards and to guiding principles for insurance regulatory discussions. We called for a meaningful mechanism for state insurance legislators to weigh in and highlighted the importance of coordination and cooperation among legislators, regulators, and interested parties.

Though the draft IAIS procedures express support for a more open and transparent process, NCOIL is unclear as to how closing IAIS meetings would advance that goal. In the U.S., discussions regarding proposed legislation and other matters must, with very limited exceptions, be open to all who may be interested—to help ensure that policymakers are held accountable for their decisions and that the product of those deliberations are given credence. We respect the integrity and dedication of regulators active in the IAIS, and so we caution that closing meetings could call IAIS decision-making into question.

The growing importance of IAIS initiatives, particularly regarding capital standards and corporate governance, demands a more, not less open approach. That means, we believe, that a range of interested parties should continue to have a say throughout development of IAIS work products. Limiting stakeholder input will actually endanger the efficiency that IAIS is seeking, as it would be difficult for state legislators in the U.S. to support a proposal affecting U.S. insurance oversight without a full understanding of its impacts and without a belief that the proposal reflects open and balanced discussion. Global standards, though well-intentioned, will fail to meet their objectives without approval at home.

While choosing a small group of interested parties to offer comments in closed IAIS meetings may be thought of as a way to encourage efficiency while retaining transparency, NCOIL urges you to reconsider, as this approach could create an unlevel playing field and the appearance of favoritism. It also could lead to work products that pose inadvertent harm to certain segments of the industry, such as small and medium-sized companies that lack significant resources to participate in international discussions.

NCOIL again thanks you for the opportunity to comment. In addition to our submission, we strongly encourage you to consider carefully the comments submitted by the National Association of Insurance Commissioners (NAIC) on behalf of state insurance regulation and in support of an IAIS process that is transparent and accountable.



PRESIDENT: Sen. Neil Breslin, NY
PRESIDENT-ELECT: *Vacant*
VICE PRESIDENT: Sen. Travis Holdman, IN
SECRETARY: Rep. Steve Riggs, KY
TREASURER: Sen. Jason Rapert, AR

October 16, 2014

The Honorable Edward R. Royce, Chair
The Honorable Eliot L. Engel, Ranking Member
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515

Dear Representatives Royce and Engel:

As President of the National Conference of Insurance Legislators (NCOIL), I write to express NCOIL support for House Resolution 735, which calls for transparency and broad interested-party involvement in International Association of Insurance Supervisors (IAIS) efforts. NCOIL—as an organization of state legislators who chair and are instrumental in the committees that develop and adopt insurance laws in each U.S. statehouse—recently stressed to the IAIS those same guiding principles and urged the organization to rethink its proposal to close meetings and curtail input.

In line with H. Res. 735, our September 2, 2014, comments to IAIS reassert our fundamental belief that openness and transparency are critical in any and all international dialogues affecting U.S. regulation. In the comments, we noted our specific efforts to ensure due process—including July 13 resolutions regarding global capital standards, meaningful ways for state legislators to weigh in, and the need for coordination and cooperation.

H. Res. 735 makes a critical point to which we wholeheartedly agree: The growing importance of IAIS initiatives, particularly related to capital standards and corporate governance, demands a more, not less open approach. State legislators in the U.S. should not be asked to accept, and would be hard-pressed to support, IAIS-inspired proposals that have not benefited from the transparency and inclusiveness that are hallmarks of U.S. policymaking. We cannot fully appreciate the impacts of an IAIS standard if all parties have not had a chance to comment on what such impacts are.

We are concerned as well that pursuing IAIS efficiency by limiting who can access IAIS discussions could result in an unlevel playing field and an appearance of favoritism. While perhaps a well-intentioned way to streamline IAIS activity, the proposal could create inadvertent harm to small and medium-sized insurers without resources to engage internationally.

We agree with H. Res. 735 that the IAIS should take into account the concerns of the National Association of Insurance Commissioners (NAIC). NCOIL, through an NCOIL International Issues Task Force, is working with the NAIC and with other advocates of state oversight to ensure that federal entities—particularly those involved at the IAIS and at the Financial Stability Board (FSB)—stand up for the U.S. system and challenge any attempt to disregard its principles. We welcome dialoging with you toward this shared goal.

The issues raised in House Resolution 735 are critical in protecting an insurance regulatory system that, unlike counterparts around the world, came through the financial crisis well. We encourage enactment of the resolution.

Please feel free to contact Susan Nolan, NCOIL Executive Director, in the NCOIL National Office at snolan@ncoil.org or 518-687-0178 should you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Neil D. Breslin".

Sen. Neil Breslin (NY)
NCOIL President

cc: The Honorable John Boehner
Members of the Committee on Foreign Affairs
Members of the Committee on Financial Services



PRESIDENT: Sen. Neil Breslin, NY
PRESIDENT-ELECT: *Vacant*
VICE PRESIDENT: Sen. Travis Holdman, IN
SECRETARY: Rep. Steve Riggs, KY
TREASURER: Sen. Jason Rapert, AR

October 14, 2014

The Honorable Tim Johnson, Chair
The Honorable Mike Crapo, Ranking Member
Committee on Banking, Housing & Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senators Johnson and Crapo:

As President of the National Conference of Insurance Legislators (NCOIL), I write to express NCOIL support for Senate Resolution 561, which calls for transparency and broad interested-party involvement in International Association of Insurance Supervisors (IAIS) efforts. NCOIL—as an organization of state legislators who chair and are instrumental in the committees that develop and adopt insurance laws in each U.S. statehouse—recently stressed to the IAIS those same guiding principles and urged the organization to rethink its proposal to close meetings and curtail input.

In line with S. Res. 561, our September 2, 2014, comments to IAIS reasserted our fundamental belief that openness and transparency are critical in any and all international dialogues affecting U.S. regulation. In the comments, we noted our specific efforts to ensure due process—including July 13 resolutions regarding global capital standards, meaningful ways for state legislators to weigh in, and the need for coordination and cooperation.

S. Res. 561 makes a critical point to which we wholeheartedly agree: The growing importance of IAIS initiatives, particularly related to capital standards and corporate governance, demands a more, not less open approach. State legislators in the U.S. should not be asked to accept, and would be hard-pressed to support, IAIS-inspired proposals that have not benefited from the transparency and inclusiveness that are hallmarks of U.S. policymaking. We cannot fully appreciate the impacts of an IAIS standard if all parties have not had a chance to comment on what such impacts are.


We are concerned as well that pursuing IAIS efficiency by limiting who can access IAIS discussions could result in an unlevel playing field and an appearance of favoritism. While perhaps a well-intentioned way to streamline IAIS activity, the proposal could create inadvertent harm to small and medium-sized insurers without resources to engage internationally.

We agree with S. Res. 561 that the IAIS should heed the concerns of the National Association of Insurance Commissioners (NAIC). NCOIL, through an NCOIL International Issues Task Force, is working with the NAIC and with other advocates of state oversight to ensure that federal entities—particularly those involved at the IAIS and at the Financial Stability Board (FSB)—stand up for the U.S. system and challenge any attempt to disregard its principles. We welcome dialoging with you toward this shared goal.

The issues raised in Senate Resolution 561 are critical in protecting an insurance regulatory system that, unlike counterparts around the world, came through the financial crisis well. We encourage enactment of the resolution.

Please feel free to contact Susan Nolan, NCOIL Executive Director, in the NCOIL National Office at snolan@ncoil.org or 518-687-0178 should you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Neil D. Breslin".

Sen. Neil Breslin (NY)
NCOIL President

cc: The Honorable Harry Reid
Members of the Committee on Banking, Housing & Urban Affairs