

## PIA Challenges FIO Assertion Insurance be Regulated like Banks

A recent speech by Federal Insurance Office Director Michael McRaith has drawn criticism from PIA National. **Best's News Service** reported on remarks McRaith made to the Networks Financial Institute's Insurance Public Policy Summit on March 12th. In that speech he said, "We need to get past the notion that the insurance sector in the United States should be treated separately than any other sector because of this historic debate going back to 1904."



Pat Borowski

PIA Senior Vice President Patrica Borowski took exception to McRaith's claim. "When Mr. McRaith says the insurance sector should be treated the same as the banking and securities sectors, he is dead wrong, and in conflict with current federal laws, among them the McCarran-Ferguson Act and the Gramm-Leach-Bliley Act (GLBA). The fact that insurance is regulated by our state-based regulatory system is why our sector — and the policyholders it serves — emerged almost completely unscathed from the financial crisis of 2007-2009, in marked contrast to the federally-regulated sectors."

PIA has also expressed disappointment that — in its recent report to Congress — the FIO did not take into account a report issued by the Government Accountability Office (GAO) on June 27, 2013. It found that multiple regulatory actions and other factors helped mitigate the negative effects of the financial crisis on the insurance industry and its policyholders and that state regulators were especially critical in maintaining general stability in the market during the crisis.

PIA National Executive Vice President Mike Becker said, "Rather than needing to 'get past' opposition to treating the insurance sector separately, advocates of greater federal involvement need to get over the idea that insurance can be regulated the same way the banking and securities sectors are by the federal government."

The bottom line — he said — is insurance is different. "Congress recognized this by mandating that the FIO serve a narrowly defined role that does not include insurance regulation, a fact that Mr. McRaith has noted repeatedly in previous congressional testimony."

Becker added that McRaith and the FIO are overstepping, "The Dodd-Frank law assigns to the FIO a series of responsibilities involving monitoring that are all advisory in nature. We agree with Congress' decision in this regard that our state-based insurance regulatory system is best suited to regulate the business of insurance."

Borowski added, "Federal law has already defined its relationship with the state-based business of insurance. The disagreement is whether we will continue the productive

federal-state relationship in insurance as it is currently defined or go the way suggested by Mr. McRaith of a federally-directed industry.”

And she concludes that the reason insurance is not regulated by the federal government is because insured risks are always local. “The United States has an effective and efficient state-based insurance regulatory system that protects policyholders and offers them a broad array of competitive choices from many insurance carriers. Needed modernization is accomplished through state-based organizations like the National Association of Insurance Commissioners (NAIC) and the National Conference of Insurance Legislators (NCOIL). Our system protects both the American economy and the global economy. To those who want a different system, we simply say they are woefully misguided,” Borowski concluded.