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January 3, 2017

Honorable Jeb Hensarling
Chairman
Financial Services Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Hensarling:

On behalf of the National Association of Professional Insurance Agents (PIA National)¹, thank you for your efforts to curtail the encroachment of the federal government on the state regulation of insurance with the Financial CHOICE (Creating Hope and Opportunity for Investors, Consumers, and Entrepreneurs) Act. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) has given too much power to federal entities to regulate insurance companies. We applaud the majority of principles encompassed in the Financial CHOICE Act.

However, PIA National has concerns about a provision of the bill that would create a new federal office called the Office of the Independent Insurance Advocate within the Treasury Department. We appreciate the intent behind consolidating the role of the independent member of Financial Stability Oversight Council (FSOC) with some components of the current Federal Insurance Office (FIO) to streamline efficiency and provide the insurance expert on FSOC with sufficient resources; however, we fear the potential for federal overreach, were this office to become part of the law. While PIA National is pleased with the inclusion of language stating that the proposed office would not have the power to supervise or regulate the business of insurance, we are not convinced of the need to create a new permanent insurance office in the federal bureaucracy.

In 2010, advocates of federal insurance regulation succeeded in getting the FIO established as part of Dodd-Frank. PIA National opposed the creation of the FIO from the outset. We were somewhat pleased that the office was not given broad authority to regulate or supervise insurance and was not a politically appointed position, which would have unnecessarily elevated its profile. That said, our concerns with the very existence of the office have continued as federal offices tend to gain rather than lose power over time. Coincidentally, the FIO recently issued a report recommending that Congress consider prescribing a uniform national standard for state guaranty association coverage limits. This report validates our concerns that the FIO's ultimate aim is to federalize, or itself become a federal regulator of, insurance.

Merging the FIO into a new Office of the Independent Insurance Advocate is troubling. The head of this new office would be confirmed by the Senate and given a six year term, while the current FIO director is a Senior Executive Service Employee in the Department of the Treasury. The proposed Office of the Independent Insurance Advocate will have its own budget and the authority to hire staff

¹ PIA National represents independent insurance agents in all 50 states, Puerto Rico, and the District of Columbia.

and engage attorneys. It is expected to coordinate federal efforts on international insurance matters, including at the International Association of Insurance Supervisors, and assist in negotiating covered agreements, monitor the insurance industry, recommend insurance companies to be designated for heightened prudential standards and supervision, as well as administer the Terrorism Risk Insurance Program.

Given the concentration of power in this proposed office, we are concerned that the Office of the Independent Insurance Advocate could unintentionally develop into an even stronger federal insurance entity by formalizing a new federal office with an even broader mandate. While the FIO has adhered to its limited mandate, it has indicated from time to time a propensity toward expanding federal authority and advocacy of nationalized standards.

For over 150 years, the state-based system of insurance regulation has worked, successfully protecting consumers and creating a competitive and diverse U.S. insurance market. PIA National does not believe the federal government should do anything to undermine the state-based system of insurance regulation. Many of the duties of the FIO are examples of federal overreach in the context of our current system of state insurance regulation. If the goal is to eliminate unnecessary federal regulation, repealing the FIO makes good sense. Doing so reaffirms that regulation of insurance should continue to be the responsibility of the states.

PIA National respectfully asks that the 115th Congress use the Financial CHOICE Act to fully repeal the FIO without shifting its current duties into a new federal office. It is possible to achieve the goals of streamlined federal efficiency, a unified voice in international negotiations, and the provision of resources to the independent member of FSOC without the creation of this office. We would welcome the opportunity to discuss such solutions.

If we can be of any additional assistance, please contact Jon Gentile, PIA National vice president of government relations, at jonge@pianet.org.

Sincerely,



Mike Becker
Executive Vice President and CEO
PIA National