

Congress of the United States
Washington, D.C. 20515

May 29, 2014

The Honorable Ander Crenshaw
Chairman,
Subcommittee on Financial Services and
General Government
House Appropriations Committee
B-300 Rayburn House Office Building
Washington, DC 20515

The Honorable Jose Serrano
Ranking Minority Member
Subcommittee on Financial Services and
General Government
House Appropriations Committee
1016 Longworth House Office Building
Washington, DC 20515

Dear Chairman Crenshaw and Ranking Member Serrano:

As you begin work on the Fiscal Year 2015 Financial Services and General Government Appropriations bill, we write to request your consideration of legislative and report language to ensure that U.S. federal officials abide by Congressional intent and not usurp authority from state insurance regulators.

We are concerned that the Department of Treasury and the Federal Reserve Board (Board) are negotiating regulatory standards for the business of insurance through the International Association of Insurance Supervisors (IAIS) and the Financial Stability Board (FSB) without Congressional approval or authority. The proposed standards go far beyond their regulatory jurisdiction and appear to be in direct opposition to the views and objections of U.S. insurance regulators. We are particularly concerned that these federal agencies have participated in FSB and IAIS deliberations in the development of capital standards for internationally active insurers, not just those few, specific insurers to which the Federal Reserve has authority. Time and again, Congress has reaffirmed its commitment to preserving state regulatory authority over the business of insurance. The actions of the federal entities participating in the FSB and the IAIS have clearly gone beyond the scope of authority Congress granted to those entities in federal law, to the potential detriment of U.S. competitiveness, U.S. markets, and most importantly our domestic policyholders.

Under 12 U.S.C. §5365, the Board has authority to oversee certain nonbank holding companies, including a few bank and savings and loan holding companies with insurance affiliates as well as systemically important financial institutions, which currently include two insurance companies. The Board has no general authority over the business of insurance or other insurance firms. 31 U.S.C. § 313 gives the Federal Insurance Office (FIO) within the Treasury Department authority to consult with the states on international insurance issues, develop federal prudential insurance policy and to represent the United States as appropriate within the IAIS. But FIO's authorizing legislation specifies that it does *not* have general supervisory or regulatory authority over the business of insurance, which was preserved with the states. Treasury's authority with respect to insurance is similarly extremely limited, primarily relating to federal implementation of the Terrorism Risk Insurance Program and a few non-insurance specific laws such as the Fair and Accurate Credit Transactions Act. Despite their extremely limited jurisdiction over insurance companies, Treasury and the Board have negotiated numerous

insurance-specific directives and agreements at the FSB and IAIS in opposition to the efforts and views of insurance regulators, often behind closed doors and without public analysis of alternatives or the potential costs to domestic consumers.

It is appropriate and necessary for Congress to reaffirm the limits of federal authority over the business of insurance and the intended role of federal agencies participating in discussions on international insurance prudential policy. Therefore, we respectfully request that you consider including in the Committee's report to accompany the Fiscal Year 2015 Financial Services and General Government Appropriations bills the following legislative and report language:

Appropriations Report Language

Under Public Law 111–203, the Federal Reserve Board (Board) was given authority to oversee certain nonbank holding companies, including a few bank and savings and loan holding companies with insurance affiliates as well as certain systemically important financial institutions (SIFI), which currently include two insurance companies. Pub.L. 111-203 also gave the Federal Insurance Office (FIO), within the Department of Treasury, the authority to consult with the states on international issues and represent the United States, as appropriate, in the International Association of Insurance Supervisors (IAIS). However, other than the Board's limited role, neither the Board nor FIO have any regulatory authority over the business of insurance or insurance firms that are not designated as SIFIs. That authority was maintained with the states. Treasury's authority with respect to insurance is similarly extremely limited, primarily relating to federal implementation of the Terrorism Risk Insurance Program and a few non-insurance specific laws such as the Fair and Accurate Credit Transactions Act.

Despite their extremely limited jurisdiction over insurance companies, Treasury, FIO and the Board have negotiated numerous insurance-specific directives and agreements at the Financial Stability Board (FSB) and International Association of Insurance Supervisors (IAIS) in opposition to the efforts and views of insurance regulators, often behind closed doors and without public analysis of alternatives or the potential costs to domestic consumers. The Committee is concerned that Treasury, FIO and the Board are negotiating regulatory standards (or best practices or guidance on such regulatory standards) for insurers more broadly than Congress intended and over the opposition of state insurance regulators, whose regulatory jurisdiction over the business of insurance was otherwise preserved by Congress. In particular, the Committee believes that participation by the U.S. federal members of the FSB and IAIS in the development of capital standards for internationally active insurance companies that have not been designated as SIFIs or are not part of a bank or other depository institution holding company goes beyond the scope of authority granted to those federal entities under Pub.L.111-203.

The Committee directs the federal agencies who are members of the FSB or IAIS not to propose, support or approve regulatory standards at the FSB or IAIS, including capital standards or regulatory best practices or guidelines regarding capital standards, for entities that are not directly regulated by such federal agency with respect to such issue, unless and until Congress has specifically authorized the replacement of state-based insurance standards with international standards through appropriate legislation or treaty.

Appropriations Legislative Language

Notwithstanding any other provision of law, for fiscal year 2015 and each fiscal year thereafter, neither the Federal Reserve Board nor the Department of the Treasury may propose, support or approve at the Financial Stability Board or the International Association of Insurance Supervisors regulatory standards, including capital standards or regulatory best practices or guidelines regarding capital standards, for entities that are not directly regulated by either the Federal Reserve Board or Department of Treasury with respect to such issue, unless and until Congress has specifically authorized the replacement of state-based insurance standards with international standards through appropriate legislation or treaty.

Thank you for your attention to our request.

SINCERELY,



RANDY NEUGEBAUER
Member of Congress



SPENCER BACHUS
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BILL CASSIDY
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SEAN DUFFY
Member of Congress



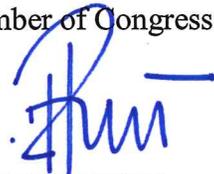
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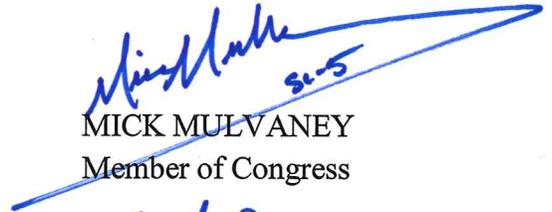
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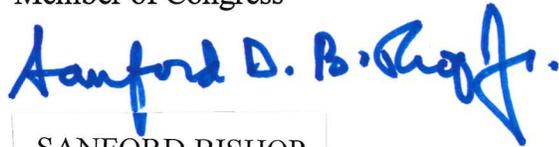
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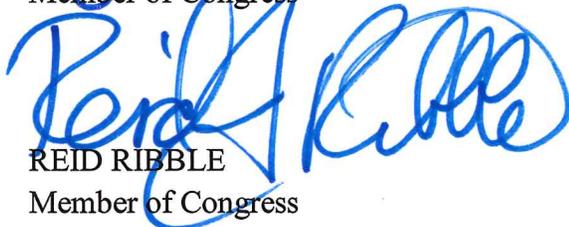
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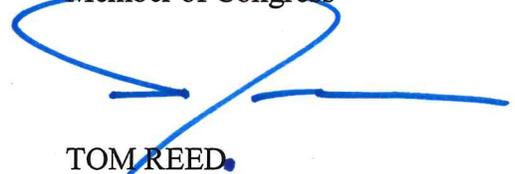
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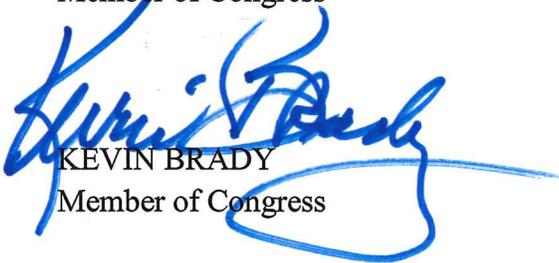
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cc: The Honorable Jeb Hensarling
The Honorable Maxine Waters
The Honorable Michael Capuano