



**Statement on Behalf of the
Independent Insurance Agents and Brokers of America
Before the
United States House of Representatives
Committee on Financial Services
Subcommittee on Housing and Insurance**

**For the Hearing Entitled:
*“Legislative Proposals to Reform Domestic Insurance Policy”***

May 20, 2014

The Independent Insurance Agents and Brokers of America (IIABA) is pleased to provide the following comments and observations in advance of the Housing and Insurance Subcommittee’s hearing entitled “Legislative Proposals to Reform Domestic Insurance Policy.” We welcome the opportunity to provide our perspective on several of the legislative proposals that will be examined by your subcommittee, and we look forward to working with you and your colleagues on any insurance-related legislation that might subsequently advance through the legislative process.

IIABA supports the adoption of the proposed Insurance Data Protection Act, drafted by Rep. Steve Stivers. The Federal Insurance Office (FIO) and the Office of Financial Research (OFR) possess sweeping subpoena power that can be abused if suitable safeguards are not put into place, and this proposal would institute appropriate procedural protections that must be satisfied before these entities may demand the production of information in this manner. The bill would ensure, for example, that any information demanded is not obtainable by other means, that there is proper coordination among regulators, that any information received remains confidential, and that the Congressional committees with jurisdiction are informed of the extent to which this broad authority is utilized. This proposal institutes important procedural

requirements that are consistent with FIO's non-regulatory mission and narrow role, and IIABA urges its swift adoption.

IIABA similarly supports the adoption of H.R. 4510, the Insurance Capital Standards Clarification Act. This proposal recognizes the unique nature of insurers and the inherent distinctions between the banking and insurance industries, and it would clarify that insurance companies subject to Federal Reserve oversight are not forced to comply with bank-centric capital standards. While this measure does not affect independent agents and brokers as directly as it does those in the insurer community, we encourage the subcommittee to take action on this important measure.

IIABA also welcomes the introduction and consideration of H.R. 4557, the Policyholder Protection Act. This common-sense proposal ensures that insurers organized as either bank holding companies or thrift holding companies are treated similarly in the event that an affiliate of an insurer becomes financially troubled. The proposal eliminates the uncertainty and concern that currently exists by applying the same standards to thrift holding companies, and it protects consumers who secure insurance coverage and protection from an insurer affiliated with such a holding company. Similar to H.R. 4510 this measure does not directly affect IIABA members. While IIABA has no formal position on this bill, we commend Rep. Posey for addressing this important subject.

Finally, IIABA also appreciates the subcommittee's examination of the draft Risk Retention Modernization Act, a proposal that would broadly expand the lines of insurance that risk retention groups may provide and that risk purchasing groups may obtain. Similar legislation has been proposed at various times over the last decade, and the controversial nature of the proposals has slowed their movement through the legislative process. Our association has not taken a formal position concerning the discussion draft released in advance of the hearing, but we do have several questions and concerns as a result of our initial review of the proposal:

- Previous proposals would have allowed risk retention groups to expand offerings to include commercial property insurance, yet the discussion draft goes further and would authorize an expansion to nearly all forms of commercial insurance. The initial act was passed by Congress in the 1980s as a response to a severe marketplace crisis that made it effectively impossible for some businesses to obtain liability insurance, and IIABA questions whether there is marketplace dysfunction on a national level to warrant the expansion of the act.
- The draft raises questions about the role that state officials might play in the oversight and regulation of those risk retention groups that would offer new commercial lines products, and we fear some of the requirements set forth in the discussion draft (especially those related to financial regulation and solvency) might be viewed as a ceiling and not a floor.
- The addition of a new commercial lines-specific preemption provision is also a source of potential concern for IIABA, and we also wonder about the exclusion of certain consumer protection provisions that were included in similar versions of this legislation in the past.

We thank you for the opportunity to submit these comments and look forward to working with you in the weeks and months to come.