



LAW & ORDER

View from Washington



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The US insurance world is awaiting a report by the new Federal Insurance Office (FIO) on modernising and improving insurance regulation as mandated by the Dodd-Frank Act. But other Dodd-Frank implementation and discussion items continue, as we head into the hot and heavy atmosphere of a presidential election in the US.

Federal Advisory Committee

The Federal Advisory Committee on Insurance (FACI) met at the Treasury for the first time on March 30, 2012, to discuss its role and ethics requirements, as well as initial topics on which it will advise the FIO. Director, Michael McRaith, announced Brian Duperreault, president and chief executive officer of Marsh & McLennan Companies, as the chairman.

Two subcommittees were created: regulatory and supervisory balance, which will examine the international playing field for US insurance companies; and accessibility, which will look at the effect of changing demographic and socio-economic patterns domestically and internationally.

Members and McRaith noted international issues loomed large and the two subcommittees will delve into those issues. McRaith hinted other issues will be added after the release of the FIO Report.

The FACI met again on August 6, 2012, to follow up on those two subcommittee charges.

Dodd-Frank carping

Twentieth century author and commentator Dorothy Parker said of Eleanor Roosevelt: "Beauty is only skin deep, but ugly goes all the way to the bone."

That is what a lot of people in the business community, particularly in the banking sector, and Congressional Republicans are saying about Dodd-Frank and the 10 federal implementing agencies, now the economy appears to be slowly but surely climbing out of the depths of the 2008/09 hole.

There have been more than 50 amending or repealing bills introduced, some of which could succeed

if the Senate flips to Republican control next year. For example, the Republican-led House Financial Services Committee took direct aim in April at the Orderly Liquidation Authority (OLA) provisions of Dodd-Frank as part of its implementing legislation relating to the controversial Republican budget.

The majority vote was to repeal the OLA completely. There were similar moves against the new Office of Financial Research, with 70 employees, and the Consumer Financial Protection Bureau, with 750.

The Dodd-Frank complexity has created a backlash of sorts – not one as strong as that against the Troubles Asset Relief Program, the stimulus bill, and healthcare reform – but a backlash nevertheless. McRaith got a small taste of this at his first Congressional hearing last October, just as other Treasury officials led by Secretary Timothy Geithner get grilled every time they are on the Hill.

The point is most parts of Dodd-Frank have now been run over by every interest group in Washington, as the really dark days of 2008 and 2009 get further away and Republicans can say Dodd-Frank is an example of regulatory excess now holding back the recovery.

So far, none of this has washed over the FIO. Indeed, McRaith's non-stop outreach to state regulators, Congress and all segments of the industry has kept criticism of the insurance sections of Dodd-Frank to a bare minimum.

Hearing on competitiveness

The House Financial Services subcommittee on insurance, community and housing opportunity held a hearing on May 17, examining US insurance industry competitiveness in the international arena. Witnesses included McRaith and members of the industry.

The panel of witnesses spoke in a unified voice for the FIO in the context of international regulation. While the hearing was held before the release of the draft of ComFrame in July, many panellists noted the FIO is valuable in international arenas, including the International Association of Insurance Supervisors.

The FACI members are:

Michael McRaith, committee decision maker: director, Federal Insurance Office

Brian Duperreault, committee chairman: president and chief executive officer, Marsh & McLennan Companies

David Birnbaum, economist and executive director, Center for Economic Justice

Michael Consedine, Pennsylvania insurance commissioner

Jacqueline Cunningham, Virginia insurance commissioner

John Degnan, senior adviser to the chief executive officer of the Chubb Corporation

Loretta Fuller, chief executive officer, Insurance Solutions Associates

Scott Harrington, Alan B Miller professor in the healthcare management and insurance and risk management departments at the Wharton School, University of Pennsylvania

Scott Kipper, Nevada insurance commissioner

Benjamin Lawsky, New York superintendent of financial services

Thomas Leonardi, Connecticut insurance commissioner

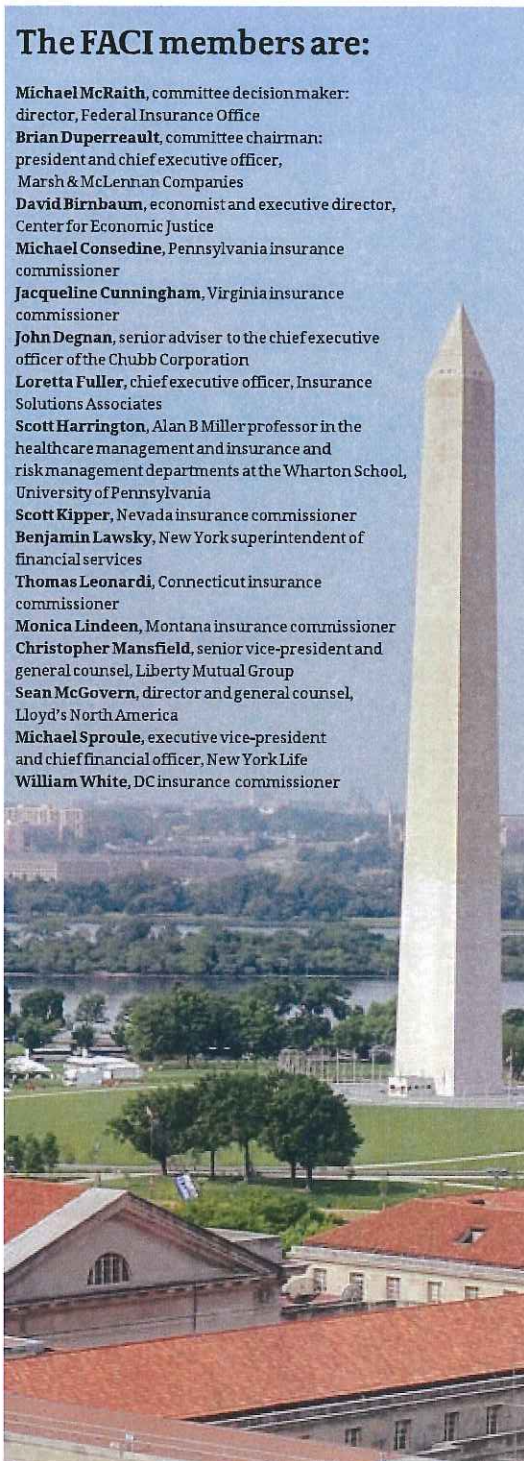
Monica Lindén, Montana insurance commissioner

Christopher Mansfield, senior vice-president and general counsel, Liberty Mutual Group

Sean McGovern, director and general counsel, Lloyd's North America

Michael Sproule, executive vice-president and chief financial officer, New York Life

William White, DC insurance commissioner



As a single voice, the FIO would be able to express US interests and perspectives internationally, a panellist said. This would assist with the development of coherent international regulations.

Solvency II was also mentioned briefly. McRaith congratulated the European Union on the development of the standard.

FIO reinsurance report

FIO issued a request for comments for a Dodd-Frank mandated report on the US and global reinsurance market on June 27, 2012. The notice asked for views on domestic and international regulation of reinsurance and the role it plays in supporting US reinsurance.

Comments were due on August 27, 2012. This topic dovetails with the May 2012 congressional hearing as well, as reinsurance was also discussed at that hearing, where panellists noted the US is a net importer in the reinsurance market.

NFI Insurance Reform Summit

On March 21, 2012, the Eighth Annual Insurance Reform Summit that Faegre Baker Daniels LLP helps host with Networks Financial Institute was held in Washington. There were important presentations by Commissioner Susan Voss for the National Association of Insurance Commissioners, a speech by Representative Ed Royce for the House Financial Services Committee, academic and data presentations by researchers from Georgia State and St Johns and by Ernst & Young, and an industry panel comprised of the leaders of National Association of Professional Surplus Lines Offices, the American Insurance Association and the National Conference of Insurance Guaranty Funds.

The concluding speaker was Financial Stability Oversight Council voting member Roy Woodall, who kept the audience fully engaged to the very end. For those of you who have known Woodall since he served as insurance commissioner in Kentucky, I think we can say he is diggin' his role and has really come into his own. He is highly regarded both on and off the Hill. ■

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