H.R. 4866, the *Federal Insurance Office Elimination Act*
Sponsored by Rep. Ben Cline (VA-06)

The Federal Insurance Office (FIO) was created in 2010 as part of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank). The Biden Administration has now expanded the FIO's scope as the Administration has continued to push its climate initiatives throughout all sectors of the Federal government, including finance.

The duties of the FIO include monitoring all non-health insurance related aspects of the insurance sector, including improving access to non-health insurance products and representing the U.S. on international insurance issues. The FIO also serves as an advisory member of the Financial Stability Oversight Council (FSOC), helps the Treasury Secretary administer certain programs, and advises the Secretary on national and international insurance matters.

As with most bureaucracies, the FIO has consistently expanded the scope of its power since its creation. It has called for the Federal regulation of mortgage insurance, uniform national standards for state guaranty associations, issued a wide-ranging consumer protection report that attempted to create a national standard for "affordability", and become the future overseer of the National Association of Registered Agents and Brokers (NARAB). Now, the Biden's Administration has recently assigned new tasks to the FIO in an Executive Order on Climate-Related Financial Risk that issues climate-related instructions to both the FIO and the Financial Stability Oversight Council (FSOC), another Dodd-Frank creation. The Executive Order (EO) directs the Treasury Secretary to have the FIO "assess climate-related issues or gaps in the supervision and regulation of insurers, including as part of the FSOC's analysis of financial stability, and to further assess, in consultation with States, the potential for major disruptions of private insurance coverage in regions of the country particularly vulnerable to climate change impacts." The Director of the FIO, who is a member of the FSCO, is tasked with examining the potential effects of climate change on financial institutions and determining whether climate change could affect insurers' financial stability. Further, the EO tasks the FSOC to ask state insurance regulators what actions they are taking to mitigate climate-related financial risk. Through this, the Biden Administration is overstepping the oversight duties of the states.

The FIO clearly represents excessive Federal intervention and a bureaucratic redundancy. Here is why <u>the FIO is not needed</u>:

- The business of insurance is successfully regulated at the state level because the state insurance regulatory system protects insurance consumers and has withstood the test of time.
- The FIO's portfolio includes international issues <u>already</u> assigned to other Federal agencies. For example:
    - The U.S. is already represented internationally by the Treasury Department, Federal Reserve, and U.S. Trade Representative (USTR). Before Dodd-Frank was passed, international negotiations were conducted by the USTR and Treasury; if the FIO were repealed, it stands to reason that Treasury and the USTR would resume negotiating internationally as effectively as they did before the passage of Dodd-Frank.
- The FIO is not needed to manage Federal programs.
    - The FIO is currently tasked with overseeing the TRIP, but the Treasury Department successfully managed the TRIP for nearly a decade before the FIO was created. Treasury can manage the TRIP without the FIO, just as it did from 2002-10.
- The FIO is burdensome:
    - The FIO endorsed the imposition of a systemically important financial intermediary (SIFI) designation on several insurers, even though such designations were opposed by the FSOC's independent member with insurance expertise and its state insurance regulator representative. All nonbank SIFI designations have since been revoked.

- The existence of the FIO is itself a slippery slope. In 2017, in a bill called the CHOICE Act, the House Financial Services Committee included a provision that would have expanded the FIO into a new Federal Office of the Independent Insurance Advocate, which would have been given, among other things, its own budget; permission to hire employees, including attorneys, economists, and others; and the leadership of a Senate-confirmed bureaucrat. The CHOICE Act did not become law but bills like it pose a constant danger to the primacy of the state regulation of insurance and threaten to increase the power of the FIO.

This Executive Order that instructs the FIO to assess climate-related issues in its oversight of insurance companies and identify potential disruptions of insurance coverage in geographic regions particularly vulnerable to climate change is the latest indicator of the FIO's ever-expanding reach. It is time return this oversight to the states.

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