

Federal Insurance Office (Dodd Frank)

- Monitors insurance companies, looking for systemic risk. (Still no national insurance charter)

“(A) to monitor all aspects of the insurance industry, including identifying issues or gaps in the regulation of insurers that could contribute to a systemic crisis in the insurance industry or the United States financial system;

“(B) to monitor the extent to which traditionally underserved communities and consumers, minorities (as such term is defined in section 1204(c) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1811 note)), and low- and moderate-income persons have access to affordable insurance products regarding all lines of insurance, except health insurance;

“(C) to recommend to the Financial Stability Oversight Council that it designate an insurer, including the affiliates of such insurer, as an entity subject to regulation as a nonbank financial company supervised by the Board of Governors pursuant to title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act;

State Insurance Guarantee Funds

- Most U.S. states have guarantee funds protecting insurance against failure of the insurance company
- The first state to set up such a fund was New York, in 1941
- Protects individuals, not businesses or group insurance

Connecticut Life and Health Insurance Guaranty Association

- Founded 1972 by Connecticut legislature
- Maximum death benefit \$500,000 and maximum cash value insurance \$500,000. Connecticut's (along with NY and NJ) is generous. (benefits not taxable)
- Even so, not big enough. If you were buying life insurance for your family, \$1 million minimum
- You can't increase coverage by buying multiple policies (as you can with FDIC)
- CT disallows mentioning the guaranty in insurance company advertising (opposite FDIC)

China

- In September 2008, CIRC set up a nonprofit state-owned corporation with a registered capital of 100 million yuan to manage its insurance protection fund, amounting to at least 7 billion yuan (about US\$1 billion). [1]

China Insurance Protection Fund

- Policyholders' losses that are no more than 50,000 yuan (US\$7,500) will be fully covered by the fund
- For losses in excess of that number, the fund covers 90 percent of the extra for individual policyholders and 80 percent for corporate policyholders

US Government Regulation of Insurance

- McCarran Ferguson Act 1945 delegated insurance regulation to the states. Fifty different state regulators
- National Association of Insurance Commissioners (NAIC) creates standardized suggested laws
- In 1993 the NAIC adopted risk-based capital requirements.
- Gramm-Leach-Bliley Financial Modernization Act of 1999 allowed banks to affiliate with insurance companies