

NAR Issue Summary

Insurance / Insurance

What is the fundamental issue?

Insurance has long been regulated by the states. Increasingly, many in the insurance industry and some federal lawmakers are advocating for an increased federal role in the regulation of companies and practices. Proponents argue the need to comply with multiple and varying sets of state regulations increases the cost of compliance, delays the launching of new products and makes it difficult for domestic insurance companies to compete for capital in today's international financial markets.

I am a real estate professional. What does this mean for my business?

Affordable and accessible insurance is essential to the real estate market. Property and casualty coverage is an underwriting requirement for conventional, government-assisted and commercial mortgages.

NAR Policy:

NAR opposes replacing the current state regulatory system for insurance with a system of mandatory, uniform national standards. Federally-imposed, pre-emptive standards for property insurance would eliminate the ability of states to regulate the most location-centric insurance line.

Opposition Arguments:

Legislative/Regulatory Status/Outlook

In each of the three most recent sessions of Congress, legislation has been introduced to create an optional federal charter for insurance. None have seen activity beyond the hearing level. In the current Congress, Representatives Melissa Bean (D-IL) and Ed Royce (R-CA) introduced HR 1880, the National Insurance Consumer Protection Act. The bill would create a strong federal insurance regulator, authorized to issue national charters for reinsurers, as well as life and property/casualty insurers.

A more limited approach to federal involvement was introduced as H.R. 2609, The Federal Insurance Office Act (Kanjorski, D-PA; Biggert, R-IL). The bill creates a Federal Insurance Office (FIO). The FIO would monitor the industry for regulatory gaps that could create systemic risk and negotiate international insurance agreements. The bill does not create an optional federal charter for insurance or give the FIO regulatory authority over the business of insurance. Regulatory oversight for insurance remains with state insurance commissioners. Following approval by the



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House Financial Services Committee, the bill was incorporated in the financial services reform bill, H.R. 4273, approved in December, 2009. The outlook for Senate consideration of a companion reform bill is uncertain since the Senate Banking Committee has not been able to agree on the components of a similar measure. Since the bill included language which specifies that the FIO has no regulatory authority over the business of insurance, the bill is not at odds with NAR's policy

Current Legislation/Regulation (bill number or regulation)

No actions at this time.

