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Washington Update and Systemic Risk

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Outline of Presentation

- Systemic risk regulator.
 - Testimony of Treasury Secretary Geithner
 - House Financial Services Committee, March 26, 2009
- National Insurance Consumer Protection Act
 - H.R. 1880 – Introduced April 2, 2009
 - Optional Federal Charter
- NAIC Position



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Systemic Risk: What is it?

A company poses systemic risk when that entity's activities have the ability to ripple through the broader financial system and trigger problems for other counterparties.

Terri Vaughan, NAIC CEO
March 5, 2009



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Systemic Risk Regulator: U.S Treasury Plan

- Create a systemic risk regulator.
 - What firms are systemically important?
- Strengthen capital and risk management standards.
 - Systemically important firms set aside funds to protect against losses.
- Hedge Fund Registration.
 - Certain size hedge funds must register with the SEC so it can monitor those which may be threats to the economy.



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Systemic Risk Regulator: U.S Treasury Plan (Continued)

- **Comprehensive Oversight of Derivatives.**
 - Examples – Lehman Brothers and AIG.
- **Strengthen Regulation of Money Market Funds.**
 - New rule avoids impact of fund failing.
- **Create New Resolution Authority.**
 - Power to unwind or resolve firms that pose systemic risk.



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NAIC Principles for Systemic Risk Regulation

- Consumer access to state-based regulatory officials.
- Formalized state and federal collaboration to regulate financial conglomerates.
- Limited and extraordinary federal financial-stability regulatory authority, exercised in conjunction with functional regulators.



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National Insurance Consumer Protection Act

- Establishes Office of National Insurance
- National life and P&C Insurers
- National agencies and producers
- Conversion from state to federal – vice versa
- Supervisor and regulatory powers
- Enforcement powers
- Applies some state laws
- Receivership and liquidation



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NAIC Reaction to H.R. 1880

It is unfortunate that this idea keeps getting recycled. Congress has rejected this kind of thinking time and again. This is not a reform bill, it is a deregulation bill — aimed at stripping the states of insurance oversight authority and denying consumers of the time-tested protections that regulatory power provides.

NAIC President Roger Sevigny, April 2, 2009



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Questions?

**Now
or
later**

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