NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

March 21, 2025

The Honorable John Thune
Senate Majority Leader
The U.S. Senate
511 Dirksen Senate Office Building
Washington, DC 20510-4105

The Honorable Chuck Schumer
Senate Minority Leader
The U.S. Senate
322 Hart Senate Office Building
Washington, DC 20510-3202

The Honorable Mike Johnson
Speaker of the House
The U.S. House of Representatives
568 Cannon House Office Building
Washington, DC 20515-1804

The Honorable Hakeem Jeffries
House Minority Leader
The U.S. House of Representatives
2267 Rayburn House Office Building
Washington, DC 20515-3208

Dear Leader Thune, Leader Schumer, Speaker Johnson, and Leader Jeffries:

We write on behalf of state insurance regulators to share important priorities for insurance markets this year. The National Association of Insurance Commissioners (NAIC) [1] represents the chief insurance regulators in the 50 states, the District of Columbia, and 5 U.S. Territories. The priorities[2] outlined below support affordable and available coverage, consumer protection, effective state regulation, and state flexibility.

State-based insurance regulation has long been a cornerstone of our nation's financial system, providing robust oversight that supports market stability while ensuring that consumers are adequately protected by responsive regulators embedded in their communities.[3] The framework of state regulation, built on local knowledge and expertise, remains essential to addressing the diverse needs of consumers, insurers, and

[1] As part of our state-based system of insurance regulation in the United States, the NAIC provides expertise, data, and analysis for insurance commissioners to effectively regulate the industry and protect consumers. The U.S. standard setting organization is governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. For more information, visit www.naic.org.

[2] National Association of Insurance Commissioners, *Office of Government Affairs* https://content.naic.org/government-affairs

[3] NAIC, *150th Anniversary Timeline*, https://content.naic.org/150-timeline; NAIC, *NAIC Announces 2025 Initiatives*, https://content.naic.org/article/naic-announces-2025-initiatives; NAIC, *What is the NAIC and What Does it Do?* https://content.naic.org/sites/default/files/about-naic.pdf

communities across the vast and varied terrain of our country. Our regulators are directly engaged with their local markets, allowing them to craft solutions that are tailored to the unique risks and challenges of their jurisdictions. This localized, flexible approach fosters competition and innovation, ensuring that the insurance marketplace remains both dynamic and responsive to the ever-changing needs of our society.

However, we recognize that the challenges facing the insurance sector today are increasingly complex, driven by emerging risks such as increasing natural catastrophes,[4] cyber threats, and rapid advancements in technology, including artificial intelligence (AI). In this context, we continue to prioritize initiatives that enhance resilience and risk mitigation efforts within the industry.[5] From promoting more resilient building construction and retrofits to strengthening consumer education strategies, the NAIC is committed to working collaboratively with stakeholders to ensure that insurance remains an essential tool for managing and mitigating risk in an unpredictable world.

Congress has a crucial role to play in partnership with states insurance regulators to promote resilience and mitigation efforts aimed at addressing the growing risks posed by natural catastrophes.[6] By providing targeted funding and tax incentives,[7] Congress can help incentivize investments in infrastructure that reduces vulnerability to extreme weather events, such as strengthening building codes, retrofitting existing structures, and improving disaster preparedness.[8] These efforts not only protect communities but also help stabilize

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[4] NAIC Insurance Topic Natural Catastrophe Risk and Resiliency, https://content.naic.org/insurance-topics/climate-risk-and-resiliency; NAIC Insurance Topic Catastrophe Models (Casualty) https://content.naic.org/insurance-topics/catastrophe-models-%28casualty%29; NAIC Insurance Topics Catastrophe Models (Property) https://content.naic.org/insurance-topics/catastrophe-models-%28property%29; NAIC Insurance Topic Wildfires, https://content.naic.org/insurance-topics/wildfires

[5] *See* NAIC Comment Re: Department of Housing and Urban Development Request for Information Regarding Resilience Measures and Insurance Coverages (FR-6505-N-01), *available at* https://content.naic.org/sites/default/files/government-affairs-letters-request-information-resilience-measures-insurance-coverage.pdf

[6] *See* The Bipartisan Disaster Resiliency and Coverage Act (H.R. 7849 118th) https://mikethompson.house.gov/sites/evo-subsites/mikethompson.house.gov/files/evo-media-document/Bill%20Text.pdf

[7] *See* The Bipartisan Disaster Mitigation and Tax Parity Act of 2025 (S. 336) https://www.congress.gov/bill/119th-congress/senate-bill/336/text?s=4&r=3&q=%7B%22search%22%3A%22S+336%22%7D; *see also* the Flood Insurance Relief Act (S. 4143 118th) https://www.congress.gov/bill/118th-congress/senate-bill/4143/text

[8] *See* The National Earthquake Hazards Reduction Program Reauthorization Act of 2024 (S. 320 118th) https://www.padilla.senate.gov/wp-content/uploads/BAG24014.pdf; *see also* The Wildfire Response Improvement Act (H.R. 7070 118th) https://www.congress.gov/bill/118th-congress/house-bill/7070/text?s=3&r=3&q=%7B%22search%22%3A%22H.R.+7070%22%7D

the insurance market by reducing the frequency and severity of claims in high-risk areas. By encouraging proactive risk mitigation, Congress can help create a more competitive and sustainable insurance marketplace, where insurers can offer affordable coverage while minimizing the financial impact of catastrophic events on consumers and the broader economy. Congress also has a critical role to play in making competitive grants eligible to state insurance departments to hire staff to identify, investigate, and prosecute cases involving senior financial fraud.[9]

At the same time, we are deeply concerned about any federal efforts to preempt state authority in areas critical to consumer protection and market stability, particularly with respect to data privacy, cybersecurity,[10] cyber-insurance,[11] and AI.[12] States have long been leaders in crafting laws and regulations that safeguard the sensitive data of policyholders and protect against emerging threats in the digital age.[13] We believe that any attempt to undermine state authority in these areas would erode consumer protections and create confusion in the regulatory landscape. It is essential that state regulators retain the ability to oversee these critical aspects of the insurance industry, ensuring that our citizens' rights and privacy are fully safeguarded.

In that vein, the NAIC urges Congress to recognize the critical role that state insurance regulators play in safeguarding the nation's financial system. The current composition of the Financial Stability Oversight Council (FSOC) devalues the authority and expertise that state insurance regulators bring to discussions about the stability of the insurance market by limiting the participating commissioner to a non-voting role – the only primary regulator of a sector limited in this way. As the primary regulators of the insurance industry, state commissioners possess unparalleled insight into the financial health of the sector, and importantly, have the authority to respond to any issues or concerns identified by FSOC, so

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[9] *See* The Empowering States to Protect Seniors from Bad Actors Act (S. 4371/H.R. 8478 118th) https://www.congress.gov/bill/118th-congress/senate-bill/4371?q=%7B%22search%22%3A%22S.+4371%22%7D&s=7&r=1

[10] NAIC Insurance Topic Cybersecurity, https://content.naic.org/insurance-topics/cybersecurity

[11] NAIC Report on the Cyber Insurance Market, https://content.naic.org/sites/default/files/cmte-h-cyber-wg-2024-cyber-ins-report.pdf

[12] Implementation of the NAIC Model Bulletin: Use of Artificial Intelligence Systems by Insurers [Status as of February 1, 2025], https://content.naic.org/sites/default/files/cmte-h-big-data-artificial-intelligence-wg-ai-model-bulletin.pdf.pdf; NAIC Artificial Intelligence Insurance Topic, https://content.naic.org/insurance-topics/artificial-intelligence

[13] State Legislative Brief, The NAIC Insurance Data Security Model Law and Adoption Map, https://content.naic.org/sites/default/files/government-affairs-brief-data-security-model-law.pdf; NAIC Insurance Topic Data Privacy and Insurance, https://content.naic.org/insurance-topics/data-privacy-and-insurance

their inclusion as voting members of FSOC would enhance the council's ability to assess and mitigate systemic risks that could have far-reaching implications for the broader financial system.[14]

The broader economy and consumers at large are also best protected when they have access to insurance markets. Although our members have a variety of views on the broader issue of cannabis legalization, and the NAIC defers to each state to decide what is appropriate for them, we recognize that state legal cannabis businesses require access to insurance to mitigate the risks they face and protect their employees and customers. The lack of clarity about liability the insurance sector may be exposed to in providing its valuable protection to this sector has led to a lack of insurance for this emerging economy in many states. For that reason, we support removing federal barriers for insurers to conduct business with any state-legalized cannabis-related businesses, thereby helping to provide insurance coverage options for these commercial policyholders that will mitigate their business risks.[15]

Additionally, we strongly advocate for policies that prioritize the protection of policyholders during insurance receiverships. When an insurance company becomes insolvent, the process of managing claims and ensuring that policyholders are made whole must be handled with care and efficiency. Federal claims against insolvent insurers can run into the billions of dollars and take years to resolve, tying up remaining funds available to policyholders. By supporting measures that streamline and strengthen the receivership process, particularly through amending the Federal Priority Act (31 U.S.C. § 3713) to require the federal government file claims against insolvent insurance companies in a timely manner, Congress can ensure that policyholders receive the protections they deserve during these difficult circumstances, while also maintaining the financial integrity of the industry.

We also believe it is vital that Congress clarify the authority of the Consumer Financial Protection Bureau (CFPB) over state-regulated insurance entities.[16] While the CFPB plays a

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[14] *See* The Primary Regulators of Insurance Vote Act (S. 4110/H.R. 3099 117th) https://www.congress.gov/bill/117th-congress/senate-bill/4110?q=%7B%22search%22%3A%22%5C%22Primary+Regulators+of+Insurance+Vote+Act+%5C%22%22%7D&s=6&r=1

[15] *See e.g.* The Secure and Fair Enforcement (SAFE) Banking Act of 2023 (S. 1323/H.R. 2891 118th) https://www.congress.gov/bill/118th-congress/senate-bill/1323; The Secure and Fair Enforcement Regulation Banking Act (SAFER) (S. 2860 118th) https://www.congress.gov/bill/118th-congress/senate-bill/2860.

[16] *See* The Business of Insurance Regulatory Reform Act of 2024 (S. 3592/H.R. 7000 118th) https://www.congress.gov/bill/118th-congress/senate-bill/3592?q=%7B%22search%22%3A%22Business+of+insurance+regulatory+reform+act%22%7D&s=5&r=2

role in overseeing certain financial services, its jurisdiction should not and does not overlap with the state-based regulatory framework that has been effective in protecting consumers and preserving market stability. State regulators are best equipped to enforce consumer protections in the insurance sector, and we encourage Congress to ensure that the CFPB's authority is properly scoped to avoid unnecessary conflicts and confusion, particularly when insurance and banking products are provided to consumers in tandem.

Finally, after more than a decade of experience interacting with the Treasury's Federal Insurance Office, we have reached the conclusion that the Federal Insurance Office stands in direct conflict with the states' role as primary regulators, complicates the state's engagement with fellow insurance regulators globally, duplicates confidential data collection from our industry, and blurs the lines that separate Treasury from the financial regulators. Therefore, we urge Congress to respect states' primary role in regulating the insurance market by abolishing the Federal Insurance Office.

The Treasury Department rightly is separated from other U.S. financial regulators to preserve their independence and reduce the chance for politicization of regulatory policy, so to empower an office within Treasury to unilaterally preempt the state insurance regulatory system, collect confidential supervisory information directly from regulated entities, and purport to "represent the United States" at insurance regulators' global standard setting body, exceeds any reasonable need or responsibility for the Treasury Department over the business of insurance.

To be clear, given the impact of insurance on the economy and its relevance to the financial system, Treasury should continue to have insurance expertise on its staff and conduct certain functions (e.g. running TRIP), but should not engage in ways that are outside the scope of supervisory activity and can cause public confusion on the status of the markets we regulate as well as with other insurance regulators globally.

In conclusion, we remain committed to working with Congress to ensure that the U.S. insurance marketplace remains strong, resilient, and responsive to the needs of consumers. We supervise the largest and most competitive insurance sector in the world, with the markets in many individual states rivaling other countries in terms of size. This strength is not an accident of history, but the result of a partnership and clear division of responsibilities between the states and the federal government. Our 2025 federal priorities seek to strengthen that partnership and ensure our insurance sector remains a pillar of strength and the envy of the world. We appreciate your attention to these important issues and look forward to collaborating with you to advance policies that support effective, state-based regulation and protect the interests of policyholders across the nation.

Thank you for your leadership and consideration.

Sincerely,

Jon Godfread
NAIC President
Commissioner

North Dakota Insurance Department

Scott White
NAIC President-Elect
Commissioner

Virginia Insurance Department

Elizabeth Kelleher Dwyer
NAIC Vice President
Director

Rhode Island Department of Business Regulation

Jon Pike
NAIC Secretary-Treasurer
Commissioner

Utah Insurance Department

cc:

Chairman Scott
Ranking Member Warren
United States Senate Committee on Banking, Housing, and Urban Affairs

Chairman French Hill
Ranking Member Waters
United States House Committee on Financial Services