CARLTON FIELDS

Life Insurers Gain Ground in Legislative Fix

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The U.S. House of Representatives recently voted to pass legislation (H.R. 5461) intended to clarify capital standards for insurance companies under the supervision of the Federal Reserve Board. The bill, sponsored by Republicans, but with broad support on both sides of the aisle, aims to alleviate the unintended “bankcentric” capital standards the Dodd-Frank Act’s “Collins Amendment” imposed on life insurance companies. The Act clarifies the Federal Reserve Board’s authority to develop insurance-specific standards for life insurers deemed Systematically Important Financial Institutions (SIFIs). The Fed has already declared AIG and Prudential SIFIs, with other life insurers on notice of their likely SIFI designation forthcoming. While the Collins Amendment was intended to provide the Fed discretion in setting appropriate life insurance and bank capital standards from the outset, the Fed interpreted the amendment to require uniform bank-centric standards for all SIFIs, creating unintended, potentially detrimental consequences to SIFI life insurers. Not surprisingly, **life insurance companies, led by the American Council of Life Insurers (ACLI), have made clarifying the Collins Amendment their top regulatory priority.** The Senate unanimously agreed to this legislative fix earlier this summer. The House, however, bundled this non-controversial issue with three more contentious Dodd-Frank issues, impacting the bill’s chances for success in the Senate’s upcoming session. The ACLI nonetheless applauds the House’s passage of H.R. 5461, and will continue to advocate for the bill’s approval.

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