

Opening Statement – Ranking Member Sherrod Brown
9.12.2019 – Developments in Global Insurance Regulatory and Supervisory Forums

Eleven years ago today, September 12, 2008, executives from AIG walked into the Federal Reserve Bank of New York to beg for a bailout.

Supervisors at the Office of Thrift supervision, whose leadership was so incompetent it doesn't exist anymore, failed to identify risky transactions at AIG's "Financial Products" subsidiary in London. State regulators didn't catch them either.

During the mortgage boom, AIG sold Credit Default Swaps that allowed Wall Street banks to say that they were protected against losses from the toxic subprime mortgage securities they owned. Some might even say they were "insured." But, AIG's failure would have taken down the banks it traded with—the biggest banks in the country. So, AIG got a massive bailout. And, you guessed it, the executives still got their bonuses.

Millions of Americans, on the other hand, lost their jobs, their homes, and their retirement savings. The effects of the financial crisis incapacitated economies around the world.

Given the complexity and interconnectedness of the global financial system, I think it is critical for our regulators and our representatives at the Financial Stability Board and the International Association of Insurance Supervisors to work together to promote financial stability.

I understand that we regulate insurance a little differently here in the United States, and I support state-based insurance regulation. It allows U.S. insurers to serve small, local markets as well as large, international markets. That need for some regulatory discretion is why I worked with Republican Senator Johanns to pass a bill allowing the Fed to implement insurer-specific capital standards. That's also why I think it's important for our regulators to work with their international counterparts to make sure our regulatory system is recognized and respected around the world.

Unfortunately, under the Trump Administration, the Financial Stability Oversight Council no longer applies enhanced prudential standards or heightened supervision created under the Dodd-Frank Act to even the largest insurance companies. I can understand why international regulators might have the impression that we are not taking financial stability seriously here at home.

We want international regulators to recognize our insurance regulatory system as credible. So it is imperative that our regulators recognize credible threats to financial stability.

This administration must address emerging risks in the financial system. Instead, they are working to undermine the trust we regained by passing Wall Street Reform.

Some argue that a deregulatory race to the bottom is the only way for American insurance companies to be competitive. But the secret to America's success in financial markets is safety and soundness. The United States has a long history of financial stability and independent regulation of our financial markets. That's why other countries trust our markets and our currency. I am concerned that this administration has eroded that trust and is diminishing our leadership role in global financial regulation.

Today, I hope to hear about how our regulators are working to curb financial risks at the largest insurance companies so that working families aren't forced to bail them out again, and how they plan on restoring American leadership on these issues.

I thank the Chairman for holding this hearing, and the witnesses for their testimony today.