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Milliman Assesses Impact of Dodd-Frank Act on Insurers

By Editor Test *Wed, Oct 6, 2010*

The two biggest effects of the legislation are likely to be greater access to market for nonadmitted insurers and single-state regulation and financial reporting for reinsurance companies.

Only one section of the Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) significantly affects the insurance industry, but that section—Title V—could have significant implications, according to Milliman.

Title V describes the creation of a Federal Insurance Office (FIO) within the Department of the Treasury and outlines a program of state-based insurance reform.

These changes "are significant because they represent a first step toward the potential transfer of regulatory authority from the states, the exclusive locus of regulatory authority until now, to the federal government," says a new white paper written by Milliman analysts Joy Schwartzman and Gail Ross.

The FIO will collect information and monitor all lines of insurance except health insurance, long-term care insurance and crop insurance. Within 18 months, the FIO's director must give Congress an assessment of the current state regulatory system and recommend improvements to the regulation of insurance in the U.S.

Besides covering systemic risk regulation, capital standards and consumer protection, the report will inquire into "the feasibility and potential costs and benefits of regulating insurance at the federal level and/or sharing such regulation between the states and the federal government."

The two biggest effects of the legislation, Milliman said, would likely be greater access to market for nonadmitted insurers and single-state regulation and financial reporting for reinsurance companies.