

Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing
September 8, 2022

Thank you, Mr. Chairman. And welcome to our witnesses.

It has been quite some time since this Committee has held a hearing on the insurance industry. There are several topics that I'd like to discuss today, including the importance of state based insurance regulation, efforts to develop international insurance standards, efforts to use the insurance industry to effect changes in social policy, proposals to create a federally-guaranteed pandemic risk insurance program, and, finally, the importance of risk-based pricing.

I think it's important to remind everyone that insurance firms are primarily regulated at the state level. Insurers have been chartered and regulated by the states for the past 150 years. When it comes to insurance, the federal government has an extremely limited regulatory role, which I see little need to expand.

This system works well for both consumers and industry. That's one reason why we need to pay close attention to efforts to develop and implement international insurance standards by international bodies. In particular, I worry, as do others, that the Insurance Capital Standard, or ICS, currently being developed by the International Association of Insurance Supervisors is incompatible with the U.S. insurance market.

There is widespread concern that the ICS is too sensitive to short-term fluctuations in markets and does not take into account certain assets that insurers hold. As a result, the implementation of ICS in its current form would harm the availability of long-term products that Americans rely on for financial security. Our U.S. representatives at IAIS need to make sure ICS works for the U.S. market by not allowing the proposal to go forward.

Next, I'd like to touch on troubling efforts to use our financial system to address climate change. Some liberal activists want to pressure insurance companies and other financial institutions to deny services to traditional energy companies and other carbon intensive industries. Such efforts are profoundly misguided.

Addressing contentious issues like global warming requires political decisions involving important tradeoffs. We've seen those tradeoffs in action in recent months.

With soaring energy prices, European nations have made plans to reopen coal power plants and extend the lives of nuclear plants. Likewise, in the U.S. we've seen the Biden Administration's hostility to new energy production lead to shockingly high gasoline prices.

That's a painful consequence of their policy choices. In a democratic society, those tradeoffs must be made by elected representatives, who are accountable to the American people, not unelected activists and bureaucrats.

To be sure, insurers face financial risks in the form of natural disasters. After all, that's a core business of the property and casualty insurance industry. Insurers must be allowed to set premiums that accurately reflect such risk, and to the extent climate change exacerbates these risks, they should adjust their prices accordingly.

Higher premiums are an important signal to policyholders that warn of increased risk of fire, flood, earthquake, or other peril. Further, they create a financial incentive to mitigate risk, leading to a safer and more resilient society. The bottom line is that a well-functioning insurance industry is quite capable of addressing the natural disaster risks it faces today and in the future.

I'd also like to address calls to create a federally-guaranteed pandemic risk insurance program. As proposed, this program would be akin to the Terrorism Risk Insurance Program, or TRIA.

As a reminder, TRIA mandates that insurers offer terrorism insurance, and in the event of an attack, the federal government bears an increasing share of the cost of claims, depending on the severity. A similar program for pandemics would be misguided.

First of all, it's hard to imagine that insurers are well equipped to quickly distribute hundreds of billions or even trillions of federal dollars. Recall that in a matter of months the Paycheck Protection Program distributed over half a trillion dollars via the banking system, but banks and other financial

institutions participated on a voluntary basis. Compare that to the disastrous claims processing after Super Storm Sandy.

But most importantly, a federally guaranteed pandemic risk insurance program would encourage state and local government officials to impose economically devastating shutdowns in the future. Such a program would, in fact, incentivize state and local policymakers to quickly impose lockdowns with the justification that the federal pandemic risk insurance will bail them out.

Instead of considering policies that will facilitate future lockdowns that repeat the mistakes of the past, we should be thinking about future mitigation measures that don't crush businesses, workers, and the economy, and harm our children's educations.

Let me conclude with this observation. I believe a well-functioning insurance industry is a critical component of economic prosperity and financial security for all Americans. Everyone will be better off if we resist activist efforts to use insurance as a tool to pursue a social policy agenda.

Insurance is not a legitimate tool, as some have suggested, to decarbonize the economy, infringe on the Second Amendment rights of law-abiding Americans, or mitigate wealth inequality.

Let's have insurers stick to the business of insurance. I look forward to discussing these issues today.