



August 10, 2016

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Hensarling:

We write to thank you for including in the Financial CHOICE Act (the CHOICE Act) discussion draft provisions that would promote consumer choice and independence, while bolstering accountability and transparency in the regulation of financial products and services utilized by millions of Americans. In this letter, we offer a specific recommendation for how the CHOICE Act could go further in advancing these goals by clarifying that the exemption Congress included in the Dodd-Frank Act for the business of insurance covers products regulated by state insurance commissioners that help consumers manage certain risks associated with owning a good or using a service. Members of the House Financial Services Committee and the House Appropriations Committee have demonstrated support for such an effort, which is necessary in order to preserve states' authority and prevent new, cumbersome federal regulation.

As you know, for over 140 years insurance commissioners have worked to develop robust state laws to regulate insurance products and protect consumers. This includes products, such as extended warranties and debt cancellation agreements, which provide valuable protection of a consumer's investment in his or her vehicle. Consumers must have confidence that these products, and the companies that stand behind them, will cover unexpected costs when they arise. Insurance commissioners have acted to institute licensing, disclosure, and solvency requirements to protect consumers in this market. This effective state-based regulatory model was acknowledged and accounted for during the crafting of the Dodd-Frank Act. Specifically, language was included in the law to prevent the Consumer Financial Protection Bureau (CFPB) from direct regulation or oversight of any person regulated by a State insurance regulator that is engaged in the business of insurance.

Unfortunately, the CFPB has continued overstepping its statutory bounds by asserting jurisdiction over these products and the companies offering them, regardless of the fact that they are regulated by a state insurance commissioner. The CFPB continues to take enforcement actions that include targeting these products and in June 2015 "Automobile Finance Examination Procedures" include specific sections focused on ancillary products and services, including extended warranties and GAP insurance.

As alluded to previously, the House-passed Financial Services and General Government Appropriations Bill, 2017, included report language reiterating that these products regulated by

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State insurance commissioners are exempt under the Dodd-Frank Act from direct oversight by the CFPB. However, given the CFPB's aggressive posture, we encourage you to include language in the CHOICE Act that clarifies the business of insurance exemption under the Dodd-Frank Act to protect against federal preemption and explicitly exclude these product that are regulated by state insurance commissioners from the CFPB's jurisdiction.

We thank you for your continued efforts to ensure consumers have access to safe, secure, and affordable products and services that help millions Americans meet their daily financial needs and plan for the future.

Sincerely,

Service Contract Industry Council
American Bankers Insurance Association
American Financial Services Association
National Independent Automobile Dealers Association
Guaranteed Asset Protection Alliance
Motor Vehicle Ancillary Products Association