



December 4, 2023

The Honorable Janet Yellen  
Secretary of the Treasury  
1500 Pennsylvania Ave  
Washington, DC 20220

Dear Secretary Yellen,

North Dakota is and has been a hub for innovation for decades. Our state's capability to recognize and address hurdles to efficiency and growth is unmatched. With this proficiency in mind, I feel inclined to submit comment on the proposed data call by the Federal Insurance Office (FIO). Comments have already been made by the National Association of Insurance Commissioners (NAIC), which I echo; however, I wanted to share my concerns about the FIO's proposal.

The creation of the FIO occurred following the passage of the Dodd-Frank Wall Street and Consumer Protection Act of 2010. The FIO was established to give the federal government an area of expertise in the rapidly changing insurance industry in the United States and globally. State insurance regulators were initially cautiously optimistic about the establishment of the FIO. The intended role of the FIO would be to monitor insurance nationwide and represent U.S. insurance regulation internationally. Additionally, Dodd-Frank prohibited the FIO from interfering with states' ability to regulate their respective markets. However, as many critics feared, the FIO has overstepped its regulatory boundaries.

Insurance regulation has been reserved for the states for nearly eight decades, a successful endeavor for insurance companies and consumers, thanks to the 1945 McCarran-Ferguson Act. A vital industry, such as insurance, should be regulated at a level of government closer to the consumers. Since 1889, the North Dakota Insurance Department has been successfully regulating the state's insurance market because of the expertise the Department has built over the years.

Regarding the FIO's 2023 data call, we have been down this road before. On May 20, 2021, President Biden issued Executive Order 14030 on Climate-related Financial Risk, tasking the FIO to "assess, **in consultation with States**, the potential for major disruptions of private insurance coverage in regions of the country particularly vulnerable to climate change impacts (emphasis added)." At the time, state regulators, through the NAIC, were very much prepared to collaborate with the FIO on a data call. However, the FIO's approach to consultation was to pose an intentionally and unnecessarily complex hypothetical question to the states whether wide-ranging data



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could be collected in 30 days, in a format neither the regulators nor industry was likely to have on hand. When the states responded to indicate this was an impossible ask and requested further consultation, the FIO ignored the pleas and decided to seek the information directly from insurers in the United States, a costly and unnecessary burden on the insurance industry and a direct harm to consumers.

The FIO's proposed data call is seeking information that will provide a skewed view of the insurance markets. We are all aware that insurance premiums are increasing, along with everything else being sold on the market today: groceries, vehicles, homes, and utilities. While climate risks may be one facet of cost increases, it is not the whole picture. This data call will not provide a holistic view of why insurance premiums are rising. The FIO's role, as previously outlined, is to oversee the country's insurance industry. I would add, which I believe many would agree with me, that the FIO should oversee the industry **responsibly and efficiently** for companies and consumers, a practice the FIO is not currently engaging in.

The data call that the FIO is proposing is a poor use of federal resources because the NAIC is already engaging in efforts to address climate risk. The NAIC already has [plans to issue a data call](#) to provide a broad view of the factors that impact the property insurance markets in individual states. This data will help influence the decisions made by state regulators, and the NAIC is uniquely positioned to collect this data due to its experience in issuing data calls and familiarity with the industry its members regulate. The FIO's proposed data call will not serve a valuable purpose to the policymakers who will utilize the data: state regulators. Any data derived from the FIO's proposed data call will not only provide a distorted micro view of a significant issue but the information will be provided to those at a federal level who do not regulate insurance, making this a useless endeavor.

The proposed data call undermines the insurance regulatory system that is currently in place and creates confusion within the industry. State regulators interact with consumers and the industry daily. The states are the true experts in insurance regulation and are better equipped to address issues facing the property insurance market. State-based insurance regulation is working. The FIO's actions demonstrate an interest in fixing a system that is not broken.

I respectfully ask that the FIO reconsider this plan and withdraw their data call and continue to cooperate with the NAIC and state regulators. I would be happy to discuss further.

Sincerely,

A handwritten signature in blue ink, appearing to read "JG Godfread".

Jon Godfread  
North Dakota Insurance Commissioner