CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 16, 2015

H.R. 1478
Policyholder Protection Act of 2015

As ordered reported by the House Committee on Financial Services on November 4, 2015

H.R. 1478 would amend existing laws regarding the financial regulation of insurance companies. Under the bill, federal banking regulators would be required to meet certain substantive and procedural requirements before requiring certain insurance companies to provide financial support to a depository institution. The bill also would revise certain procedures governing the orderly liquidation by the Federal Deposit Insurance Corporation (FDIC) of a systemically important financial firm that is an insurance company or a subsidiary of an insurance company.

CBO estimates that enacting H.R. 1478 could affect net direct spending if the FDIC needed to resolve failed financial institutions affiliated with insurance companies; however, any such costs probably would be insignificant over the 2016-2025 period. Because H.R. 1478 would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues. CBO estimates that enacting H.R. 1478 would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2026.

Based on information from the FDIC, CBO estimates that the insurance companies affected by this bill account for less than 1 percent of the domestic deposits of insured institutions. Although the FDIC currently has the legal authority to use the financial resources of those insurance companies if their insured depository institution failed, CBO expects that the agency would be unlikely to use that authority in a manner that would have a materially adverse effect the company’s insurance activities. Thus, CBO estimates that the expected value of any change in resolution costs to the federal government as a result of this bill would be small and would be offset in subsequent years by additional income from deposit insurance premiums.

Finally, CBO estimates that provisions related to resolving potential failures of systemically important institutions would have no significant budgetary effects over the 2016-2025 period. CBO expects that the FDIC would use the alternative resolution methods authorized by the bill only if doing so would reduce costs and that the bill’s limit on imposing liens on insurance resources would be implemented in a manner similar to existing regulatory policies.

H.R. 1478 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

On July 29, 2015, CBO transmitted a cost estimate for S. 1484, the Financial Regulatory Improvement Act of 2015, as ordered reported by the Senate Committee on Banking, Housing and Urban Affairs on June 2, 2015. Title IV of S. 1484 contained provisions similar to those in H.R. 1478 and CBO's estimates of the budgetary effects of those provisions are the same.

The CBO staff contact for this estimate is Kathleen Gramp. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.