

**DEPARTMENT OF THE TREASURY FEDERAL  
INSURANCE OFFICE (FIO)  
FEDERAL ADVISORY COMMITTEE ON INSURANCE (FACI)**

**MINUTES – February 17, 2022**

The Federal Advisory Committee on Insurance (FACI) convened at 12:45 pm on 17 February 2021 via teleconference, with Dan Glaser, Chair, presiding.

In accordance with the Federal Advisory Committee Act, the meeting was open to the public.

**Committee Members Present**

DAN GLASER, Chief Executive Officer, Marsh McLennan, Committee Chair  
AMY BACH, Executive Director, United Policyholders  
BIRNY BIRNBAUM, Executive Director, Center for Economic Justice  
QUINCY BRANCH, Chief Executive Officer, Branch Benefits Consultants  
BETH DWYER, Superintendent of Banking and Insurance, Rhode Island Insurance Division  
ROB FALZON, Vice Chair, Prudential  
LUCY FATO, Executive Vice President & General Counsel, AIG  
DOUG HELLER, Insurance Expert, Consumer Federation of America  
PETER KOCHENBURGER, Associate Clinical Professor of Law, University of Connecticut School of Law  
DANIEL SEROTA, proxy for Eric Andersen  
JULIE SPORE, Chief Risk Officer, Transamerica  
ANDREW STOLFI, Administrator, Oregon Division of Financial Regulation  
BETSY WARD, Chief Financial Officer & Chief Actuary, MassMutual

**Department of Treasury Staff Present**

GRAHAM STEELE, Assistant Secretary for Financial Institutions  
STEVEN SEITZ, Director, Federal Insurance Office (FIO)  
JIGAR GANDHI, Senior Insurance Regulatory Policy Analyst, FIO

**Welcome and Opening Remarks**

Chairman Glaser opened the meeting by mentioning the passing of Representative George Keister, who was a devoted public servant who provided invaluable expertise to FACI. Additionally, Chairman Glaser announced that two members have exited the FACI - Greg Crabb of Amerisure and Bill Wheeler of Athene. Mr. Crabb's and Mr. Wheeler's terms expired at the end of last year. Chairman Glaser thanked Mr. Crabb and Mr. Wheeler for their many contributions and wished each of them well.

Chairman Glaser stated that first, the FACI will hear a FIO update from Director Steven Seitz, followed by an update on Treasury's climate activities by Assistant Treasury for Financial Institutions Policy Graham Steele. Finally, FACI will hear an update from the Availability Subcommittee followed by any new business. Chairman Glaser then asked Director Seitz for an update from FIO.

Director Seitz thanked the FACI members for their attendance and added that FIO appreciates the time and effort that the members dedicate to the various FACI subcommittees. Director Seitz added that FIO continues to examine and consider the FACI advice and recommendations and looks forward to its continued valuable engagement.

Director Seitz then stated that he wanted to echo Chairman Glaser's remarks regarding Representative Keiser, Greg Crabb and Bill Wheeler. Director Seitz added that Representative Keiser was a devoted public servant with a long tenure in the North Dakota legislature, at the National Council of Insurance Legislators, and was a FOCI member over the last several years. Representative Keiser provided significant insurance expertise as the co-chair of the Availability Subcommittee. Director Seitz then recognized Greg Crabb with Amerisure and Bill Wheeler of Athene for their contributions to FOCI.

Director Seitz then provided an update on some of FIO's recent activities on auto insurance, which remains a priority for the Federal Insurance Office. Director Seitz stated that FIO is moving forward on its data analysis and appreciates the continued engagement of the Availability Subcommittee. Director Seitz then stated that FIO remains focused on implementation of the covered agreements with the EU and the United Kingdom in the United States. FIO continues to closely monitor the state progress in revising the credit for reinsurance measures and is evaluating those state measures for potential inconsistency with the covered agreements. FIO also has been monitoring developments at the U.S. states and the NAIC with respect to the group capital calculation and state adoption.

Director Seitz then turned his attention to cyber and ransomware, international activities, and climate-related financial risk. Ransomware is not only a whole of government concern but also of concern for the insurance industry. The insurance industry has an important role to play in encouraging improvement to cyber hygiene and resiliency and in providing risk transfer opportunities through cyber insurance. To obtain additional data regarding the insurance treatment of cyber risk and particularly how those products interact with the Terrorism Risk Insurance Program, FIO published proposed revisions to our annual TRIP data call last November. These changes will assist FIO with considering the role of terrorism risk insurance in connection with cyber-attacks by providing FIO with:

1. Expanded information on the cyber insurance market generally to inform the extent to which cyber insurance is within the scope of TRIP,
2. Information on companies by their size of policy orders that are obtaining cyber insurance, and,
3. Specific information on ransomware coverage and losses under cyber insurance policies.

The proposed changes will result in more detailed cyber insurance data collection for calendar year 2021 with aggregated results reported in June of this year. FIO continues to anticipate that the data call will be issued in either late March or early April.

Director Seitz then turned to international activities to highlight developments at the International Association of Insurance Supervisors with respect to the Insurance Capital Standard (ICS). The IAIS continues to monitor the performance of the ICS as it advances into the third year of the monitoring period. Incorporating supervisory feedback is one of the IAIS's main objectives for the monitoring period for an implementation of the ICS as a prescribed capital requirement in 2025. The IAIS has also been continuing its work on comparability, engaging members of Team USA as well as the CSFWG on issues surrounding the comparability criteria drafting group as they develop appropriate criteria for the comparability assessment that will take place in 2023. The IAIS still plans to issue a public consultation on the draft criteria in the first half of this year and consider that feedback as it works to finalize those criteria by 2022. FIO continues to work closely with the Federal Reserve Board, the NAIC, and the U.S. states on the important issues related to both the ICS and comparability.

Director Seitz turned his attention to FIO's work related to climate-related financial risk. FIO continues to take steps to implement the president's executive order on climate-related financial risk and FIO's climate-related priorities. At the last FOCI meeting, FIO reported of the considerable interest in its request for information on its future work on the insurance sector and climate-related financial risk. FIO has engaged with stakeholders and commenters over the last several months and solicited additional feedback on our next steps. Based on this

information, FIO will be officially launching the Climate-Related Financial Risk Subcommittee. FIO will also be disbanding the Protection Gap Subcommittee, since those issues will now be flowing through the Climate-Related Financial Risk Subcommittee. Director Seitz thanked Amy Bach and Sean McGovern for their work on the Protection Gap Subcommittee. Chairman Glaser thanked Director Seitz for his update and Director Seitz yielded the floor to Assistant Secretary Steele.

AS Steele thanked the FOCI members and said it was a pleasure to be at the meeting. AS Steele mentioned that he is the Assistant Secretary for Financial Institutions at the Treasury Department and began with an overview of the climate agenda for his office along with FIO's role. AS Steele mentioned that Treasury's overarching climate objectives are to ensure the resiliency of the financial system to climate-related risks along with enabling and expediting the global net zero market transition, which will position the economy for strong and sustainable growth consistent with a net zero emissions future. The 2022 climate agenda for Treasury domestic finance is focused on four areas:

1. Climate-related financial risk,
2. Communities in climate transitions, including a just and equitable transition,
3. Greening finance, and,
4. Fiscal and federal finance climate responsibilities.

AS Steele stated that his office is working with others in domestic finance, Treasury's new climate hub, and other divisions in Treasury to advance this agenda. AS Steele stated that the need for action on climate is clear - the United States has experienced a dramatic increase in the frequency and severity of climate-related disasters with a corresponding increase in economic losses for the past 40 years. Economic growth, combined with changes in socioeconomic trends such as urbanization and the migration patterns to areas at higher risk of climate-related disasters, are increasing the financial risks associated with the effects of climate change. The increased frequency and severity of climate-related disasters, as well as the magnitude of associated insured losses, highlight the significance of these climate-related financial risks, as well as the important role that the insurance sector can play in responding to them. Based on its statutory authorities and in response to the president's climate-related executive orders, FIO has formulated three initial priorities for its work on climate-related financial risks in the insurance sector. Those priorities are:

1. To assess climate-related issues or gaps in the supervision and regulation of insurers, including their potential impact on U.S. financial stability,
2. To assess the potential for major disruptions of private insurance coverage in U.S. markets that are particularly vulnerable to climate change impacts and facilitate mitigation and resilience for natural hazards, and,
3. To increase FIO's engagement on climate-related issues and leverage the insurance sector's ability to achieve climate-related goals.

AS Steele mentioned that FIO recently published a request for information (RFI) seeking public input on these priorities to inform FIO's future work relating to the insurance sector and climate-related financial risk. The RFI received significant input from numerous stakeholders, with over 50 unique RFI responses from 5,300 signatories that included over 95 organizations. Based on RFI input, discussion with stakeholders, and internal analysis, as well as the taskings to FIO in the executive order on climate-related financial risk, and the recommendations in the FSOC climate report, FIO has formulated its climate-related plan of action for 2022 to advance the three priorities previously outlined and will be a sequential and capacity building exercise as FIO works to address this important issue. The initial steps are intended to consolidate foundational knowledge that can be used in future years as part of the basis for developing more comprehensive approaches to address climate-related financial risks. FIO's new climate-related activities in 2022 will primarily be in four areas:

1. FIO intends to publish a climate report by year's end focusing on insurance supervision and regulation

with an assessment of climate-related issues or gaps in the supervision and regulation of insurers, including their potential impacts on U.S. financial stability. In addition, the report will include an analysis of climate-related disclosures for insurers. The report may also include initial analyses selected at those insurance markets.

2. FIO will begin quantitative analysis in 2022 in two areas of climate-related financial risk. This work will initially focus on analyzing the transition risk of insurers' investment portfolios and analyzing the physical risk of underwriting liabilities for property and casualty insurers' current climate-related exposures to assess impact on protection gaps in insurance availability, particularly in at-risk markets. FIO's initial focus in the near term will be on continuing to assess the best means for timely gathering relevant, reliable data needed in these analyses and then beginning the process of gathering the data. FIO is continuing to assess the use of its data collection and dissemination authorities with respect to insurers and reinsurers to help fill potential data gaps in standardized data.
3. FIO will continue to prioritize stakeholder engagement, including input from this Advisory Committee. FIO aims to organize a series of stakeholder roundtable discussions in 2022 on topics related to the insurance sector and climate-related financial risk.
4. In 2022, FIO will be assessing insurers' practices in underwriting and otherwise supporting climate risk solutions such as product innovation. FIO may also begin an in-depth analysis on an aggregate basis of insurers' practices related to the integration of climate-related ESG considerations into their investment management functions.

AS Steele stated that FIO looks forward to continuing to engage with insurance stakeholders on these topics in 2022 and reporting its findings in future years.

AS Steele stated that he was pleased that FIO has formally been admitted to the Network for Greening the Financial System (NGFS). NGFS is a group of central banks and supervisors who voluntarily share best practices in order to contribute to the development of climate risk management in the financial sector and to mobilize finance to support the transition toward a sustainable economy. NGFS workstreams include the microprudential supervision workstream, which examines supervisory developments and updates the mapping of supervisory practices for integrating climate-related and environmental risks into microprudential supervision for banks and insurers. AS Steele concluded by stating that he looks forward to continuing to engage with the FACI.

Chairman Glaser thanked AS Steele for his informative remarks and the time that he took to be with the FACI. Chairman Glaser then turned to the Availability Subcommittee's 2022 priorities. At this time, Chairman Glaser yielded the floor to Birny Birnbaum.

Mr. Birnbaum first thanked Assistant Secretary Steele for his presentation and the robust work planned for FIO along with his efforts on climate-related risks. Mr. Birnbaum asked the membership if any industry members of FACI were interested in joining the Availability Subcommittee, since the subcommittee is down to seven members and none represents insurers or reinsurers.

Mr. Birnbaum continued that the Availability Subcommittee met recently and received updates from FIO staff on the personal auto insurance affordability study update and other availability and affordability initiatives at FIO. The subcommittee then discussed priorities for its activities in 2022, with FIO staff also providing some suggested priorities for consideration. Mr. Birnbaum stated that the subcommittee has not made any decisions, but that he would share the list of priority issues discussed. In terms of priorities, Mr. Birnbaum explained that one area is continuing to monitor and assist FIO in updating the personal auto insurance affordability study. FIO is considering many issues regarding not only an update with more recent data based on the same methodology as the 2016 report, but additional options regarding new data sources and new analyses. For example, the subcommittee might identify different data sources and collection methods to ensure more timely

analysis. FIO indicated that it was collecting 2018 data for a report to be produced later in 2022. Another potential subcommittee topic is continuing the work examining the impact of structural racism on insurance outcomes for communities of color. The subcommittee's focus would be on issues where FIO can leverage its insurance expertise with other federal agencies or assist state insurance regulators. For example, the subcommittee might identify ways that FIO could revisit the 2016 Treasury statement regarding disparate impact analysis and share the experience and expertise of other federal agencies, like the Department of Housing and Urban Development or the Consumer Financial Protection Bureau, regarding methods of disparate impact analysis and data sources for protected class characteristics. This work might also include monitoring of Colorado Senate Bill 169 implementation. This law passed in Colorado in 2021 and requires the insurance commissioner to develop rules requiring insurer testing for unfair discrimination on the basis of protected class status. Another example might be an analysis by the subcommittee of the use of criminal history information in producer licensing, insurance pricing, claim settlement, or antifraud to examine best practices for addressing structural racism in these areas. Mr. Birnbaum stated that a third potential topic area is continuing the examination of availability and affordability issues with flood insurance and other catastrophic events. Given the federal role in flood insurance both requiring the purchase in connection with most loans and as a direct provider of flood insurance, Mr. Birnbaum stated that FIO seems well situated to offer advice to improve the availability and affordability of flood insurance through structural changes in loan requirements, the federal role in providing flood insurance, and the federal role in promoting resilience in loss mitigation. The subcommittee's efforts may be shaped by some of the activities of the new climate subcommittee. The subcommittee is open to working on these topics if given a more refined scope. Mr. Birnbaum yielded the floor for any comments and thanked the FIO for the opportunity to present.

Chairman Glaser asked if any members had comments relating to Mr. Birnbaum's presentation and heard none. Chairman Glaser then asked for any new business and heard none. Chairman Glaser adjourned the meeting at 1:08 p.m.

I hereby certify these minutes of the February 17, 2022 Federal Advisory Committee on Insurance public meeting are true and correct to the best of my knowledge.

*Daniel Glaser*

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Dan Glaser, Chair