

CONFIDENTIAL



Recent Activities at the International Association of Insurance Supervisors (IAIS) and the Joint Treasury/Federal Reserve Report on the Insurance Capital Standard (ICS)

Federal Insurance Office

Presentation to the Federal Advisory Committee on Insurance

December 12, 2024

Joint Treasury/Federal Reserve ICS Report: Background



- Under section 211(c)(3)(A) of Economic Growth, Regulatory Relief, and Consumer Protection Act (Act), the Secretary of the Treasury, the Chair of the Board of Governors of the Federal Reserve System (Federal Reserve), and the Director of the Federal Insurance Office (FIO) must, in consultation with the National Association of Insurance Commissioners (NAIC), complete a study on, and submit to Congress a report on the results of the study, the impact on consumers and markets in the United States before supporting or consenting to the adoption of any final international insurance capital standard.
- Treasury and the Federal Reserve, provided public notice on July 12th before commencing to draft the report; ([Federal Register Notice](#)).
- Section 211 also requires public notice that the draft of the report is completed, and provides that there shall be an opportunity for public comment for a period of 60 days after the date on which the report is submitted to Congress.
- On November 13, Treasury and the Federal Reserve submitted to Congress the report - **The Impact of the International Insurance Capital Standard (ICS) on Consumers and Markets in the United States** ([link](#)).
 - Treasury and Federal Reserve also published a notice of completion of report and a request for comments on the report ([Federal Reserve press release](#), [Federal Register Notice](#)).

Joint Treasury/Federal Reserve ICS Report: Contents



The joint Treasury/Federal Reserve ICS report includes sections on:

➤ **Background:**

- The IAIS; Insurance Regulation in the United States; U.S. Insurance Capital Frameworks; and the IAIS Insurance Capital Standard

➤ **Sources:**

- Participation in the development of the ICS; the Federal Reserve's Insurance Policy Advisory Committee Study; and FIO's Request for Information

➤ **Analysis:**

- Exploring impacts of the ICS, including effects implementation would have on capital levels; other costs and benefits; and implications for products and market share

➤ **Additional Reference:**

- Section on U.S. actions to improve the ICS; Appendix with themes from comments to FIO's Request for Information ([Federal Register Notice](#))



“To support financial stability following the Global Financial Crisis, the Financial Stability Board requested that the International Association of Insurance Supervisors (IAIS) develop a groupwide supervisory and regulatory framework, including a quantitative group capital standard, for large, internationally active insurance groups (IAIGs).

- ▶ An appropriate capital standard could enable IAIGs to absorb losses and continue operations through stress and provide relevant, comparable information for supervisors across jurisdictions.
- ▶ The FIO and the [Federal Reserve] Board (the agencies) as well as the NAIC and state insurance authorities (together, the states) participated in the resulting work at the IAIS to develop the global Insurance Capital Standard (ICS).

“The agencies have undertaken a study to evaluate and analyze the impact of the ICS on U.S. consumers and markets.

- ▶ This work included participation in the efforts to develop the ICS and in the subsequent five-year monitoring period, frequent engagement with industry stakeholders, consultation with industry experts, analysis of confidential data collected from U.S. insurers, and attempts to address flaws in the ICS.”

(footnotes omitted)



“Data availability and confidentiality restrictions materially impacted this study.

- ▶ Confidentiality agreements limited what the agencies could do with the ICS data submitted by IAIGs to the IAIS as well as what the agencies can disclose in this report. The agencies do not regulate any IAIGs and do not have access to non-public ICS data other than aggregated and anonymized data. These limitations prevented the agencies from quantifying the range of impacts of the ICS.

“The impacts of the ICS would depend on whether and how it is implemented by the states.

- ▶ The IAIS develops global insurance standards but does not possess any legal power to impose its standards on its members.
- ▶ Implementation of the ICS, as prescribed by the IAIS, would have both costs and benefits. Numerous issues were observed with the ICS during its development and testing. The agencies and states proposed changes to address elements that could have led to inaccurate solvency signals for U.S. insurance groups. Several of these changes were incorporated into the ICS, but the data collected do not allow the agencies to evaluate the impact of the changes over a business cycle and the related effects on U.S. consumers.”



“Given the potential negative effects of the ICS, the states have indicated that the ICS is not appropriate for the U.S. insurance market.

- ▶ The states plan to implement the Aggregation Method (AM) and have sought recognition by the IAIS that the AM results in comparable supervisory outcomes to the ICS. The AM was developed by the United States as an alternative group capital method to the ICS, under which existing local regulatory capital results are utilized and aggregated.
- ▶ The AM is expected to be implemented through the NAIC Group Capital Calculation (GCC), which was incorporated by the NAIC into NAIC’s Insurance Holding Company System Regulatory Act in 2020. This NAIC act needs to be implemented by the individual states in order to be authorized. All states that serve as groupwide supervisors of U.S. IAIGs have adopted the GCC. Therefore, the implementation of the AM, via the GCC by U.S. state insurance authorities, is not expected to introduce significant changes to existing regulatory requirements or have significant impacts overall on U.S. insurers, consumers, and markets.”

Recent Events and Activities:

- Publication of 2025-2029 Strategic Plan ([link](#)) October 22
- Executive Committee announcement of ICS approval for adoption and conclusion of the AM assessment ([link](#)) November 14
- The IAIS recognized that the AM can provide the basis for comparable supervisory outcomes to the ICS ([IAIS Press Release](#)).
- Committee Meetings December 2-5
- Publication of 2024 GIMAR ([link](#)) December 3
- Annual General Meeting December 5

Upcoming Events and Activities:

- FSB Holistic Framework Review ([link](#)) November 2025
- Triannual review of assessment methodology ([link](#)) 2025
- ICS Implementation Assessment: baseline self-assessment ([link](#)) 2026
- ICS Implementation Assessment: targeted jurisdictional assessments ([link](#)) 2027