

**UNITED STATES DEPARTMENT OF THE TREASURY  
FEDERAL ADVISORY COMMITTEE ON INSURANCE  
SUMMARY OF PUBLIC MEETING**

**November 6, 2014**

The Federal Advisory Committee on Insurance was convened at 1:00 P.M. on November 6, 2014, in the Cash Room at the U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, D.C., with Daniel Glaser, Chair, presiding.

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

**Committee Members Present:**

DANIEL GLASER, President and Chief Executive Officer, Marsh & McLennan Companies, Inc., *Chair*  
DAVID (BIRNY) BIRNBAUM, Executive Director, Center for Economic Justice  
GARY BHOJWANI, Chairman, Allianz Life Insurance Company of North America (represented by proxy Gretchen Cepek)  
ELIZABETH BROWN, Professor, Georgia State University  
MICHAEL CONSEDINE, Commissioner, Pennsylvania Department of Insurance  
BRENDA CUDE, Professor, University of Georgia  
JACQUELINE CUNNINGHAM, Commissioner, Virginia Bureau of Insurance  
THEODORE MATHAS, New York Life Insurance Company  
JOHN FRANCHINI, Superintendent, New Mexico Office of the Superintendent of Insurance  
LORETTA FULLER, Chief Executive Officer and Chief Financial Officer, Insurance Solutions Associates  
NICHOLAS GERHART, Commissioner, Iowa Insurance Division  
MARK GRIER, Vice Chairman, Prudential Financial, Inc. (represented by proxy, Susan Blount)  
DAVID HERZOG, Executive Vice President and Chief Financial Officer, American International Group, Inc.  
GEORGE KEISER, Representative, North Dakota House of Representatives  
JAMES KELLEHER, Executive Vice President and Chief Legal Officer, Liberty Mutual Insurance  
SCOTT KIPPER, Commissioner, Nevada Division of Insurance  
BENJAMIN LAWSKY, Superintendent, New York Department of Financial Services  
SEAN MCGOVERN, Chief Risk Officer & General Counsel, Lloyd's of London  
JULIE MCPEAK, Commissioner, Tennessee Department of Commerce and Insurance (represented by proxy, Chlora Lindley-Myers)  
FRANKLIN (TAD) MONTROSS, Chairman, President, and Chief Executive Officer, General Re Corporation  
THEODORE NICKEL, Commissioner, Wisconsin Office of the Commissioner of Insurance



**Also Present:**

MICHAEL MCRAITH, Director, Federal Insurance Office, U.S. Department of the Treasury  
MICHAEL NEWMAN, Designated Federal Officer, Federal Insurance Office, U.S. Department  
of the Treasury

TOM FINNELL, Federal Insurance Office, U.S. Department of the Treasury

ADAM SEDGEWICK, National Institute of Standards and Technology (NIST), U.S.  
Department of Commerce

CATHERINE MULLIGAN, Zurich

TOM FELTNER, Consumer Federation of America

BOB HUNTER, Consumer Federation of America

\*Participating via teleconference

**Introduction and New Business**

Director McRaith welcomed the members of the Federal Advisory Committee on Insurance (FACI) and convened the meeting. Chairman Glaser then raised the only item of new business, certifying the minutes from the August 7, 2014 FACI meeting. The minutes were certified.

**Role of Cyber Risk Insurance in Cyber Security**

Chairman Glaser introduced the topic of cyber risk insurance and cybersecurity, noting that the issue is prevalent and important. He stated that the purchase of insurance and investment in good cybersecurity are both elements of risk management that complement each other. Chairman Glaser also noted that standards, such as the NIST Cybersecurity Framework ("Framework"), can assist companies in gauging its performance and find areas for improvement. He then introduced Adam Sedgewick from NIST to discuss the Framework. Mr. Sedgewick presented on the Framework, its development, and NIST's next steps. Chairman Glaser then introduced Catherine Mulligan from Zurich to discuss the cyber insurance market. Ms. Mulligan provided an overview the cyber insurance market, the risks cyber risk insurance are intended to cover, and the regulatory environment for data breaches. The members and presenters then engaged in a discussion with the presenters about the NIST Framework, cybersecurity, and cyber risk insurance, with contributions from Chairman Glaser, Director McRaith, Mr. McGovern, Representative Keiser, Mr. Kelleher, Ms. Fuller, Mr. Herzog, and Superintendent Lawsky.

**Affordability of Auto Insurance**

Following a ten minute break, Chairman Glaser introduced the topic of the affordability of auto insurance. He then introduced Bob Hunter and Tom Feltner from the Consumer Federation of America (CFA) to discuss the CFA's recent report, *The High Price of Mandatory Auto Insurance For Lower Income Households: Premium Price Data for 50 Urban Regions*. Mr. Hunter and Mr. Feltner provided background on CFA and explained the methodology of the report. They explained that the report concludes that low- and moderate-income drivers from urban areas are often charged more for auto insurance than what many consider to be affordable, and requested

additional data be collected to aid the CFA's research. Chairman Glaser then led the members and presenters in a discussion of this topic, with contributions from Mr. Birnbaum, Director McRaith, Commissioner Franchini, Professor Brown, Ms. Fuller, and Representative Keiser.

### **International Supervisory Standards for Insurers, Including Capital**

Chairman Glaser introduced the third topic of discussion: international supervisory standards for insurers, explaining that the FACI would be discussing capital standards, the identification of global systemically important insurers, and the development of a common framework for the supervision of internationally active insurance groups, or ComFrame. He then introduced Tom Finnell, the Deputy Director of Regulatory Policy for the Federal Insurance Office (FIO), who presented on international work streams in which FIO engages. Mr. Finnell provided an update to the FACI on IAIS workstreams, particularly ComFrame and the development of capital standards, and the EU-U.S. Insurance Project. Mr. Finnell and Director McRaith noted that this work was done jointly with the Federal Reserve Board staff and state regulators. The members then engaged in discussion with Mr. Finnell and Director McRaith, with contributions from Chairman Glaser, Commissioner Gerhart, Representative Keiser, Mr. McGovern, Mr. Birnbaum, Mr. Mathas, and Mr. Herzog.

### **Subcommittee Discussion**

Chairman Glaser provided a reminder on the membership of the Affordability and Accessibility Subcommittee, led by Mr. Birnbaum, and the International Developments Subcommittee, led by Commissioner McPeak. He then noted that he and Director McRaith agreed that the FACI should have a third subcommittee focused on domestic prudential issues, and tasked Mr. Mathas with chairing this new subcommittee. Chairman Glaser invited members to let Director McRaith and his staff know if they were interested in joining any of the three subcommittees.

At 3:56 P.M., Director McRaith concluded the meeting.

I hereby certify these minutes of the November 6, 2014 Federal Advisory Committee on Insurance public meeting are true and correct to the best of my knowledge.



Daniel S. Glaser, FACI Chair