

REPORT TO THE CONGRESS

Efforts of the U.S. Department of the  
Treasury and the Board of Governors of the  
Federal Reserve System with Respect to  
Global Insurance Regulatory or Supervisory  
Forums in 2019

December 2020



**Steven T. Mnuchin**  
Secretary  
U.S. Department of the Treasury

**Jerome H. Powell**  
Chair  
Board of Governors of the Federal Reserve System

This and other Federal Reserve Board reports and publications are available online at  
<https://www.federalreserve.gov/publications/default.htm>.

To order copies of Federal Reserve Board publications offered in print,  
see the Board's Publication Order Form (<https://www.federalreserve.gov/files/orderform.pdf>)  
or contact:

Printing and Fulfillment  
Mail Stop K1-120  
Board of Governors of the Federal Reserve System  
Washington, DC 20551  
(ph) 202-452-3245  
(fax) 202-728-5886  
(email) [Publications-BOG@frb.gov](mailto:Publications-BOG@frb.gov)

# Contents

Introduction .....	1
International Insurance Issues, Positions, and Effects .....	3
International Forums: the IAIS, the FSB, and the OECD .....	3
IAIS Activities .....	6
FSB Cross-Border Resolution Planning Activities .....	12
Transparency Efforts at the IAIS and the FSB .....	15
IAIS Transparency Efforts .....	15
FSB Transparency Efforts .....	17
Federal Advisory Committee on Insurance .....	17
Insurance Policy Advisory Committee .....	18
Conclusion .....	19

# Introduction

This report is submitted by the Secretary of the U.S. Department of Treasury (Treasury) and the Chair of the Board of Governors of the Federal Reserve System (Federal Reserve) pursuant to section 211(c)(1) of the Economic Growth, Regulatory Relief, and Consumer Protection Act, Pub. L. No. 115-174, 132 Stat. 1296, 1317–18 (the Act). The Act, which was signed into law by President Donald J. Trump on May 24, 2018, directs the Secretary of the Treasury and the Chair of the Federal Reserve, or their designee, to submit an annual report to Congress on the efforts of Treasury and the Federal Reserve, with the National Association of Insurance Commissioners (NAIC), “with respect to global insurance regulatory or supervisory forums.” The Act requires the report to include descriptions of

1. “the insurance regulatory or supervisory standard-setting issues under discussion at international standard-setting bodies”;
2. “the effects that proposals discussed at international insurance regulatory or supervisory forums of insurance could have on consumer and insurance markets in the United States”;
3. “any position taken by the Secretary of the Treasury, the [Federal Reserve], and the Director of the Federal Insurance Office in international insurance discussions”;<sup>1</sup> and
4. “the efforts by the Secretary of the Treasury, the [Federal Reserve], and the Director of the Fed-

eral Insurance Office to increase transparency at the Financial Stability Board with respect to insurance proposals and the International Association of Insurance Supervisors, including efforts to provide additional public access to working groups and committees of the International Association of Insurance Supervisors.”

This is the second annual report and follows the same format as the first annual report.<sup>2</sup> Specifically, the report begins, in the section “[International Insurance Issues, Positions, and Effects](#),” by describing in general terms the efforts of the Federal Reserve and Treasury in global insurance regulatory and supervisory forums, including a short overview of the International Association of Insurance Supervisors (IAIS), the international insurance standard-setting body. It explains the IAIS’s structure, governance, and role in insurance supervision. This section also includes an overview of the Financial Stability Board (FSB), which coordinates among the different standard-setting bodies, and the Organisation for Economic Co-Operation and Development (OECD), which has a limited role in international insurance discussions.<sup>3</sup>

In the subsection “[IAIS Activities](#)” the report outlines key international insurance standard-setting initiatives, such as the development of the Insurance Core Principles (ICPs) and the Common Framework for the Supervision of Internationally

<sup>1</sup> Title V of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) established the Federal Insurance Office (FIO) within Treasury. In addition to advising the Secretary of the Treasury (Secretary) on major domestic and prudential international insurance policy issues, FIO is authorized to monitor all aspects of the insurance industry, including identifying issues or gaps in the regulation of insurers that could contribute to a systemic crisis in the insurance industry or the U.S. financial system, and coordinate federal efforts and develop federal policy on prudential aspects of international insurance matters, including representing the United States, as appropriate, in the International Association of Insurance Supervisors and assisting the Secretary in negotiating covered agreements, among other functions. See 31 U.S.C. § 313.

<sup>2</sup> Treasury and Federal Reserve, *Report to Congress: Efforts of the U.S. Department of the Treasury and the Board of Governors of the Federal Reserve System with respect to Global Insurance Regulatory or Supervisory Forums in 2018* (2019) (2018 Fed-FIO Annual Report) (Washington: U.S. Department of the Treasury and Board of Governors of the Federal Reserve System, September 2019), [https://home.treasury.gov/system/files/311/Treasury\\_FRB\\_Report\\_2019.pdf](https://home.treasury.gov/system/files/311/Treasury_FRB_Report_2019.pdf). For reader convenience, some background material from the 2018 Fed-FIO Annual Report is repeated in this report.

<sup>3</sup> Other standard-setting bodies include the Basel Committee on Banking Supervision, which is the primary standard-setting body for the prudential regulation of banks, and the International Organization of Securities Commissions, which is the primary standard-setting body for the securities sector.

Active Insurance Groups (ComFrame), the Insurance Capital Standard (ICS), the Holistic Framework for Systemic Risk in the Insurance Sector, and other initiatives.

The report continues, in the section “[Transparency Efforts at the IAIS and the FSB](#),” by providing a summary of Treasury and Federal Reserve efforts to increase transparency at the FSB and at the IAIS as well as coordination with the NAIC and the U.S. state and territory insurance regulators (together with Treasury and the Federal Reserve, collectively called “Team USA”).<sup>4</sup> This section also provides an update on the implementation by the Federal Reserve of the Insurance Policy Advisory Committee (IPAC), established pursuant to the Act’s requirements.<sup>5</sup> It also provides an update on the Federal Advisory Committee on Insurance (FACI), which provides non-binding advice and recommendations to FIO to assist it in carrying out its duties and authorities.<sup>6</sup>

The “[Conclusion](#)” of the report emphasizes that Treasury and the Federal Reserve will continue to advocate for insurance regulatory and supervisory standards that are appropriate for the United States and will continue to report to Congress on their efforts. Team USA members’ leadership and involvement in the IAIS and other international forums, as discussed in this report, ensure that the United States continues to be able to influence international standards for insurance supervision and regulation that may affect the U.S. insurance industry and consumers. It remains important to recognize, however, that international standard-setting bodies, such as the

IAIS, do not have the power to establish standards that would be binding in the United States. Any standards developed in the IAIS or in any other standard-setting bodies are intended to be implemented in accordance with domestic law. In the United States, therefore, no international standards are operational unless implemented through the relevant state or federal legislative or administrative process, as appropriate.

This report discusses topics that are also discussed in the 2018 *Transparency Report* as well as in FIO’s 2019 *Annual Report* and 2020 *Annual Report*.<sup>7</sup> FIO’s 2019 *Annual Report* and 2020 *Annual Report* include detailed descriptions of FIO’s international and domestic activities in the first half and second half of 2019, respectively. FIO’s annual reports also discuss international activities outside of global insurance regulatory and supervisory forums (e.g., IAIS, FSB, and OECD); these activities include bilateral and/or multilateral discussions and agreements (such as those which led to the covered agreement with the European Union and the covered agreement with the United Kingdom) as well as information exchanges that do not involve setting standards (such as the EU–U.S. Insurance Project). In addition, FIO’s 2020 *Annual Report* discusses input received from the FACI, including through its subcommittee on international developments.<sup>8</sup>

This report covers activities within the IAIS, the FSB, and the OECD, and generally addresses developments during the preceding calendar year—i.e., 2019. This report, therefore, does not address the substantial effects of the COVID-19 global pandemic on international supervisors’ agendas and activities, which will be covered in next year’s annual report.<sup>9</sup>

<sup>4</sup> See, e.g., 2018 *Fed-FIO Annual Report*; Treasury and Federal Reserve, *Report to the Congress: Efforts to Increase Transparency at Meetings of the International Association of Insurance Supervisors* (2018) (*Transparency Report*) (Washington: U.S. Department of the Treasury and Board of Governors, November 2018), [https://www.treasury.gov/initiatives/fio/reports-and-notices/Documents/2018\\_IAIS\\_Transparency\\_Report.pdf](https://www.treasury.gov/initiatives/fio/reports-and-notices/Documents/2018_IAIS_Transparency_Report.pdf); FIO, *Annual Report on the Insurance Industry* (2019) (2019 *Annual Report*) (Washington: FIO, 2019), [https://home.treasury.gov/system/files/311/2019\\_FIO\\_Annual\\_Report.pdf](https://home.treasury.gov/system/files/311/2019_FIO_Annual_Report.pdf).

<sup>5</sup> See Act § 211(b) (establishing the Insurance Policy Advisory Committee), 31 U.S.C. § 313 note.

<sup>6</sup> The FACI was formed in 2011 pursuant to 31 U.S.C. § 313(h).

<sup>7</sup> FIO, 2019 *Annual Report*, FIO, *Annual Report on the Insurance Industry* (2020) (2020 *Annual Report*) (Washington: FIO 2020), <https://home.treasury.gov/system/files/311/2020-FIO-Annual-Report.pdf>.

<sup>8</sup> “Federal Advisory Committee on Insurance (FACI),” U.S. Department of the Treasury, <https://www.treasury.gov/initiatives/fio/Pages/faci.aspx>.

<sup>9</sup> The IAIS, FSB, and OECD are examining the impact of the COVID-19 pandemic on the insurance sector, as is Team USA. FIO discusses the pandemic in its 2020 *Annual Report*.

# International Insurance Issues, Positions, and Effects

The Act requires that this report include, among other things, a “description of the insurance regulatory or supervisory standard-setting issues under discussion at international standard setting bodies,” and a “description of any position taken” by the Secretary, the Federal Reserve, and the director of FIO in international insurance discussions at global insurance regulatory or supervisory forums.<sup>10</sup> As previously reported, in discussions at global insurance regulatory and supervisory forums, Treasury and the Federal Reserve promote robust engagement to ensure that U.S. insurance stakeholders and the federal government are well represented.<sup>11</sup> The Federal Reserve and Treasury continue to advocate for positions in international insurance discussions to help ensure that international standards reflect the U.S. insurance regulatory regime, and that the U.S. insurance sector remains competitive internationally. In particular, FIO’s “mission at the IAIS [is] to, among other things, (1) advocate for the U.S. state-based insurance regulatory system, U.S. consumers, the U.S. insurance sector, and growth in the broader U.S. economy, (2) coordinate the views of Team USA, and (3) promote greater transparency and stakeholder engagement in international standard-setting forums.”<sup>12</sup>

The Act also requires that this report describe the effects that proposals discussed at international insurance regulatory or supervisory forums of insurance could have on U.S. consumers and insurance markets.<sup>13</sup> While certain IAIS standards remain under development, depending on how they are

finalized, they could affect U.S. insurers. U.S. insurers operating in foreign markets could be affected regardless of whether the standards are implemented in the United States. Treasury and the Federal Reserve acknowledge that they are required, in consultation with the NAIC, to “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.”<sup>14</sup> In their international engagement on insurance issues, Treasury and the Federal Reserve work to promote the interests of U.S. consumers and the well-being of U.S. insurance markets. To that end, Treasury and the Federal Reserve coordinate closely with each other and with the other members of Team USA.

## International Forums: the IAIS, the FSB, and the OECD

### IAIS Overview

Established in 1994, the IAIS is the international standard-setting body responsible for developing, and assisting in the implementation of, principles, standards, and other supporting material for supervision of the insurance sector.<sup>15</sup> The IAIS also serves as a forum for members to exchange ideas and share experiences about insurance supervision and insurance markets. IAIS members include insurance supervisors and regulators from more than 210 jurisdictions accounting for 97 percent of worldwide insurance premium volume.<sup>16</sup>

<sup>10</sup> See Act § 211(c)(1)(A)(i), (iii), 31 U.S.C. § 313 note.

<sup>11</sup> See, e.g., 2018 *Fed-FIO Annual Report*; Treasury, *A Financial System That Creates Economic Opportunities: Asset Management and Insurance*, 105 (2017) (*Insurance EO Report*) (Washington: U.S. Department of the Treasury, October 2017), [https://www.treasury.gov/press-center/press-releases/Documents/A-Financial-System-That-Creates-Economic-Opportunities-Asset\\_Management-Insurance.pdf](https://www.treasury.gov/press-center/press-releases/Documents/A-Financial-System-That-Creates-Economic-Opportunities-Asset_Management-Insurance.pdf).

<sup>12</sup> Treasury, *Insurance EO Report*, 136. See also 31 U.S.C. § 313(c)(1) (listing FIO’s authorities and responsibilities under the Dodd-Frank Act).

<sup>13</sup> See Act § 211(c)(1)(A)(ii), 31 U.S.C. § 313 note.

<sup>14</sup> Act § 211(c)(3), 31 U.S.C. § 313 note.

<sup>15</sup> See IAIS, 2018 *IAIS Annual Report* (Basel: IAIS, 2019), 10, <https://www.iaisweb.org/page/about-the-iais/annual-report/file/87195/iais-2018-annual-report-single-page>. See also FIO, 2019 *Annual Report*, 47-48.

<sup>16</sup> 2018 *IAIS Annual Report*, 6. See also IAIS, *IAIS Organisation Members* (September 20, 2019), <https://www.iaisweb.org/list/iaismembers>.

The IAIS has stated that it is “a stand[ard]-setter, not a legislature. Members do not pass laws; through agreement, they recommend principles and standards and provide supervisory guidance. It is the prerogative of the appropriate sovereign authorities to implement or not implement IAIS core principles, standards or policies.”<sup>17</sup>

The IAIS operates through five key mechanisms: (1) the General Meeting, which ultimately oversees all matters before the IAIS; (2) the Executive Committee (ExCo), which serves as the principal decisionmaking body of the IAIS; (3) the Policy Development Committee, which is responsible for standard-setting activities; (4) the Macprudential Committee, which oversees IAIS work on financial stability issues; and (5) the Implementation and Assessment Committee, which is responsible for assessments and assistance in implementing IAIS principles, standards, and guidance.<sup>18</sup> The IAIS also has an Audit and Risk Committee and a Budget Committee.<sup>19</sup>

Multiple working groups and task forces, focused on a range of prudential regulation and supervision topics, report to these committees.<sup>20</sup> All of the committees and subcommittees (where “subcommittees” include IAIS working groups and task forces) are composed of IAIS members. Hosted by the Bank for International Settlements (BIS) in Basel, Switzerland, the IAIS operates with the support of a secretariat under the direction of a secretary general.<sup>21</sup> Figure 1 illustrates the IAIS organizational structure in 2019.<sup>22</sup> As Secretary Mnuchin observed, the governance changes that became effective in 2019—

which added FIO as a permanent member, and increased the ExCo’s size, among other things—“should help us advance the best interests of the U.S. insurance sector, as all members of Team USA will now have a voice at the most senior levels of the IAIS. Treasury will continue to work with the IAIS on these governance issues and appropriate geographic representation for the United States at the IAIS.”<sup>23</sup>

## FSB and OECD Overview

### FSB

The G-20 established the FSB in 2009 to promote international financial regulatory reform and financial stability, and tasked it with coordinating the work of national financial authorities and international standard-setting bodies, including the IAIS, “as they work toward developing strong regulatory, supervisory and other financial sector policies.”<sup>24</sup> The FSB’s decisions are not legally binding on its members; the FSB “operates by moral suasion and peer pressure, in order to set internationally agreed policies and minimum standards that its members commit to implementing” in their jurisdictions through the relevant financial authorities.<sup>25</sup>

The FSB’s membership consists of 68 institutions from 25 jurisdictions and 10 international organizations and standard-setting bodies, including the IAIS.<sup>26</sup> Treasury, the Federal Reserve, and the Securities and Exchange Commission are the FSB’s U.S. members.<sup>27</sup> The current FSB Chair—as of December 2018—is the Federal Reserve Governor and Vice Chair for Supervision, Randal K. Quarles.<sup>28</sup>

The FSB has created a compendium of standards that have been developed by various standard-setting

<sup>17</sup> IAIS, *2017 IAIS Annual Report* (Basel: IAIS, November 2018), 10, <https://www.iaisweb.org/page/about-the-iais/annual-report/file/77857/iais-ar-2017-digital-pdf-def-dp>.

<sup>18</sup> See “IAIS By-Laws,” <https://www.iaisweb.org/page/about-the-iais/by-laws/file/74644/2017-by-laws>; “IAIS Organisational Structure,” IAIS, <https://www.iaisweb.org/page/about-the-iais/organisational-structure>. See also *2018 Fed-FIO Annual Report*.

<sup>19</sup> *2018 IAIS Annual Report*, 7.

<sup>20</sup> See, e.g., FIO *2019 Annual Report*, 47-49. See also IAIS, “IAIS Organisational Structure,” <https://www.iaisweb.org/page/about-the-iais/organisational-structure>.

<sup>21</sup> See IAIS, *2017 IAIS Annual Report*, 8.

<sup>22</sup> The IAIS agreed in 2019 that, as of January 2020, three of the existing Macprudential Policy Committee subcommittees—the Macprudential Policy and Surveillance Committee, the Systemic Risk Assessment Drafting Group, and the G-SII Analysts Working Group—will be replaced by two new subcommittees: the Macprudential Supervision Working Group (MSWG) and the Macprudential Monitoring Working Group (MMWG). See IAIS, *IAIS Newsletter December 2019-January 2020*, <https://www.iaisweb.org/page/news/newsletter/file/88456/iais-newsletter-december-2019-january-2020>.

<sup>23</sup> Treasury, “Remarks by Treasury Secretary Steven T. Mnuchin at the National Association of Insurance Commissioners International Forum,” press release, May 13, 2019, <https://home.treasury.gov/news/press-releases/sm688>. For further detail about the changes, see *2018 Fed-FIO Annual Report*, 4.

<sup>24</sup> See *2018 Fed-FIO Annual Report*. See also Treasury, *Insurance EO Report*, 57–59, 130; Financial Stability Board (FSB), “History of the FSB,” <http://www.fsb.org/history-of-the-fsb/> and FSB, “About the FSB,” <http://www.fsb.org/about/#history>.

<sup>25</sup> “About the FSB,” FSB, <http://www.fsb.org/about/#history>.

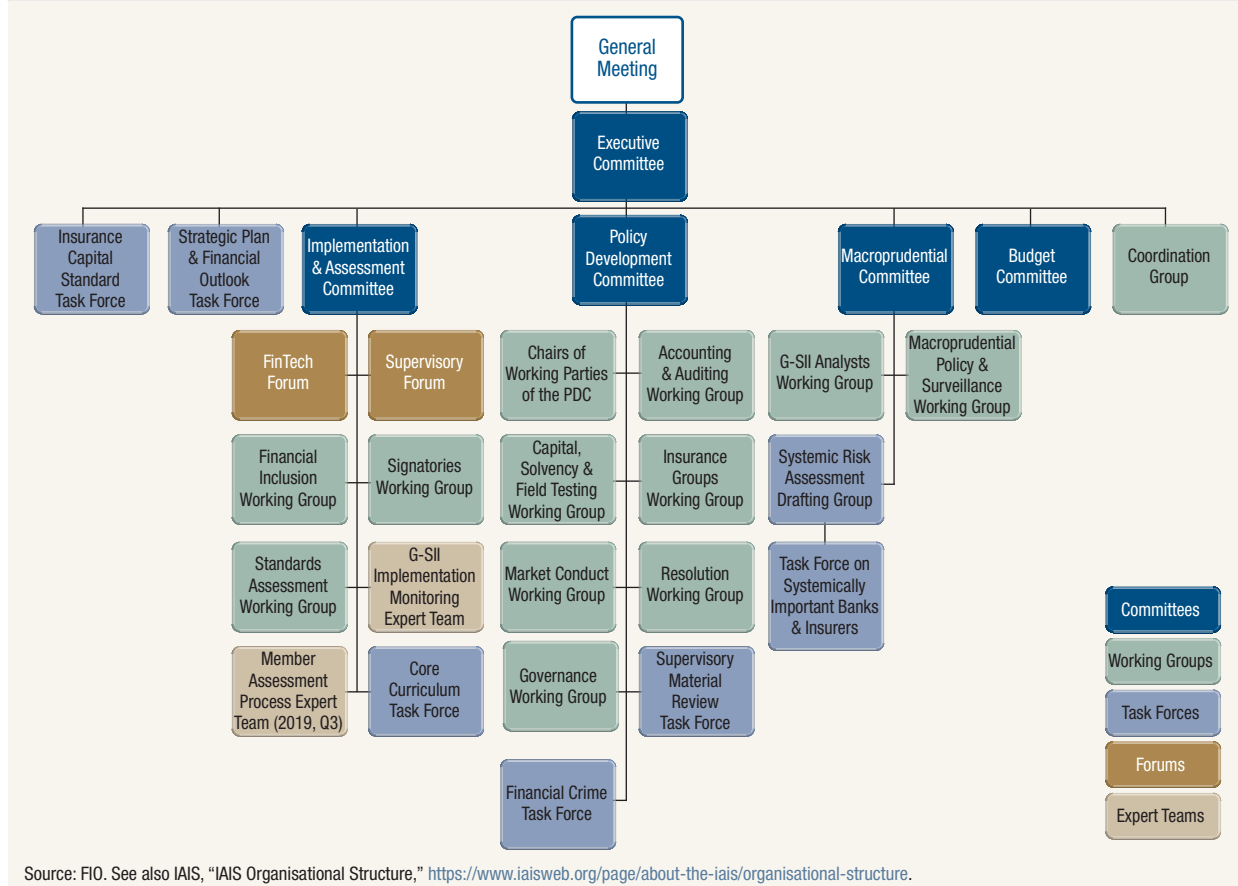
<sup>26</sup> FSB, *5th Annual Report: 1 April 2017–31 March 2018* (Basel: FSB, December 2018) 38, <http://www.fsb.org/wp-content/uploads/P011218.pdf>.

<sup>27</sup> FSB, *5th Annual Report*, 37; FSB, “Randal K. Quarles,” <http://www.fsb.org/profile/randal-k-quarles/>.

<sup>28</sup> FSB, “Organisational Structure and Governance,” <http://www.fsb.org/organisation-and-governance/>.



Figure 1. IAIS organizational structure, 2019



Source: FIO. See also IAIS, "IAIS Organisational Structure," <https://www.iaisweb.org/page/about-the-iais/organisational-structure>.

bodies, including the IAIS. The compendium includes standards considered by the FSB to be "key for sound financial systems and deserving of priority implementation depending on country circumstances."<sup>29</sup> The compendium includes standards that pertain to insurance, including the Insurance Core Principles, Standards, Guidance, and Assessment Methodology (discussed later in "ICPs and ComFrame"), the Key Attributes of Effective Resolution Regimes for Financial Institutions (discussed later in "FSB Cross-Border Resolution Planning Activities"), and the G-20/OECD Principles of Corporate Governance.<sup>30</sup>

<sup>29</sup> FSB, "The Compendium of Standards," <http://www.fsb.org/work-of-the-fsb/about-the-compdium-of-standards/>.

<sup>30</sup> FSB, "Key Standards for Sound Financial Systems," [http://www.fsb.org/work-of-the-fsb/about-the-compdium-of-standards/key\\_standards/](http://www.fsb.org/work-of-the-fsb/about-the-compdium-of-standards/key_standards/).

## OECD

The OECD in its present form was created in 1961 with a mission of promoting policies that improve the economic and social well-being of people around the world. The OECD provides a forum in which its 37 member countries work together to share experiences and seek solutions to common problems.<sup>31</sup> The OECD collects and publishes statistical data and analyses on economics, trade, employment, education, health, social issues, migration, the environment, and many other fields, and it aspires to serve as a source of advice on various policymaking and implementation matters. By working with governments to understand the drivers of economic, social, and environmental changes, the OECD attempts to measure productivity and global flows of trade and investment.

<sup>31</sup> See Organisation for Economic Co-Operation and Development (OECD), "About the OECD," <http://www.oecd.org/about/>.



The OECD operates through more than 200 committees and working groups, composed of national experts and supported by a secretariat. Within this structure, insurance matters are the purview of the OECD Insurance and Private Pensions Committee (IPPC). In addition, the Working Party on Private Pensions (WPPP) engages on certain issues closely related to insurance. The U.S. delegation to the OECD varies by committee. Representatives from FIO and the U.S. Departments of Commerce and Labor, along with state insurance regulators, represent the views of the United States at the IPPC and WPPP.

The OECD develops legal instruments to express policies that its membership has developed. Since 1961, the IPPC has helped develop 22 of these legal instruments, 10 of which—all non-legally-binding recommendations—remain in force (see [table 1](#)).<sup>32</sup> These recommendations from the IPPC are set forth in [table 1](#). There were no new insurance-related recommendations or other standards under discussion in the IPPC or WPPP in 2019.

Over the next few years, the IPPC is expected to continue to address issues relating to long-term care insurance, reinsurance, best practices for insurance regulation, international insurance standards, and terrorism insurance. All of these issues touch on significant U.S. policy initiatives currently being led by Treasury. FIO noted in both its *2019 Annual Report* and *2020 Annual Report* that it is important that FIO take an active leadership role in the international work on insurance matters at the OECD.

<sup>32</sup> OECD, “OECD Legal Instruments Involving the Insurance and Private Pensions Committee,” <https://legalinstruments.oecd.org/en/instruments?mode=advanced&committeeIds=1651&dateType=adoption>.

## IAIS Activities

The key “insurance regulatory or supervisory standard-setting issues under discussion” at the IAIS include (1) the ICPs and ComFrame, (2) the ICS, (3) the Holistic Framework for the assessment and mitigation of systemic risk, (4) the IAIS strategic plan and financial outlook for 2020–24, and (5) other IAIS work such as assessments and development of guidance and other written materials as well as cross-border resolution planning. Much of the work described below is ongoing and is expected to continue through 2020 and beyond.

### ICPs and ComFrame

Team USA continues to work within the IAIS to advocate for international standards for insurance supervision that are appropriate for the U.S. insurance sector. The international insurance standards of broadest potential applicability are the ICPs.

The IAIS’s mission is to “promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders, and to contribute to global financial stability.”<sup>33</sup> To support that mission, the IAIS has developed a three-tier approach to insurance supervision: (1) a first tier of supervisory standards, known as ICPs, applicable to all insurers within a jurisdiction; (2) a second tier of additional supervisory standards known as ComFrame, which includes the insurance capital standard (ICS), and to

<sup>33</sup> IAIS, *2017 IAIS Annual Report*, 10. See also *2018 Fed-FIO Annual Report*.

**Table 1. OECD in-force insurance-related recommendations from the IPPC**

Recommendations	Date adopted
Disaster Risk Financing Strategies	Feb. 23, 2017
Core Principles of Private Pension Regulation	Sep. 27, 2016
Policy Framework for Effective and Efficient Financial Regulation	Nov. 26, 2009
Good Practices on Financial Education and Awareness Relating to Credit	May 25, 2009
Good Practices for Financial Education relating to Private Pensions	Mar. 28, 2008
Good Practices for Enhanced Risk Awareness and Education on Insurance Issues	Mar. 28, 2008
Guidelines on Insurer Governance	Apr. 28, 2005
Establishment of a Check-List of Criteria to define Terrorism for the Purpose of Compensation	Dec. 9, 2004
Good Practices for Insurance Claim Management	Nov. 24, 2004
Common Classification of the Classes of Insurance Recognised by the Supervisory Authorities of the Member Countries	May 30, 1984

Source: OECD, “OECD Legal Instruments,” <https://legalinstruments.oecd.org/en/instruments?mode=advanced&committeeIds=1651&dateType=adoption>.

which only certain insurers are subject;<sup>34</sup> and (3) a third tier of policy measures for a smaller group of organizations previously identified by the FSB as global systemically important insurers (G-SIIs), as discussed further in the section “[Holistic Framework](#).” As the IAIS has explained

This three-tier approach reflects the proportionate response of the IAIS; that is, that supervisors should have the flexibility to tailor certain supervisory requirements and actions in accordance with the nature, scale[,] and complexity of individual insurers and exercise ‘supervisory common sense’ – that is, to fit solutions to the risk in a flexible and evolving way that achieves IAIS objectives but does not impede stable business development.<sup>35</sup>

The ICPs, which are at the foundation of this three-tier system, are a set of standards and supporting guidance intended as a supervisory framework for insurers. The ICPs “seek to encourage the maintenance of consistently high supervisory standards in IAIS member jurisdictions.”<sup>36</sup>

ComFrame applies to internationally active insurance groups (IAIGs)—those with a certain form and degree of international activity that meet criteria established by the IAIS<sup>37</sup>—and consists of an enhanced set of supervisory standards, encompassing both entity-level and groupwide supervisory standards. The IAIS has explained that “ComFrame seeks to assist supervisors in addressing groupwide activities and risks; identifying and avoiding supervisory gaps; [and] coordinating supervisory activities

efficiently and effectively between the groupwide and other involved supervisors.”<sup>38</sup> Since 2016, the IAIS has been directly integrating ComFrame material alongside the relevant ICPs to clarify the presentation of the two complementary sets of standards.<sup>39</sup>

In 2019, the IAIS continued to release major revisions to the ICPs and ComFrame for public consultation as part of the IAIS’s ongoing thematic effort (begun in September 2015) to develop supervisory materials more efficiently. Additionally, because there were elements of ComFrame that had not been fully developed in the 2014 version, the IAIS addressed many of these elements as part of the revision process. The IAIS also revised all relevant ICPs and ComFrame sections to accommodate, and comport with, the Holistic Framework for Systemic Risk (Holistic Framework). IAIS consultations in 2019 included the following:

- Draft revised IAIS Glossary,
- Draft ComFrame Assessment Methodology,
- Changes in the Introduction to ICPs and ICP 7 (Corporate Governance) made for consistency with ComFrame, and
- Draft Revised ICP 22 (Anti-Money-Laundering and Combatting the Financing of Terrorism).<sup>40</sup>

The IAIS also released for public consultation, on June 14, 2019, revisions related to the Holistic Framework (discussed below in the section, “[Holistic Framework](#)”), including revisions to

- ICP 9 (Supervisory Review and Reporting) and ComFrame in ICP 9,
- ICP 10 (Preventive Measures, Corrective Measures and Sanctions),
- ICP 16 (Enterprise Risk Management for Solvency Purposes) and ComFrame in ICP 16,
- ICP 20 (Public Disclosure), and
- ICP 24 (Macroprudential Supervision).<sup>41</sup>

<sup>34</sup> IAIS, *Draft Overall ComFrame for Public Consultation (clean version)*, 9-10 (paragraph 18 et seq.) (Basel: IAIS, July 2018) (*Draft Overall ComFrame*), <https://www.iaisweb.org/page/supervisory-material/common-framework/file/76143/draft-overall-comframe-for-public-consultation>. See also FIO, 2018 Annual Report, 39.

<sup>35</sup> IAIS, 2017 IAIS Annual Report, 12.

<sup>36</sup> IAIS, *Draft Revised ICP Introduction and Assessment Methodology*, 2 (paragraph 2), (Basel: IAIS, November 2017), <https://www.iaisweb.org/page/supervisory-material/insurance-core-principles/file/69883/draft-revised-introduction-and-assessment-methodology>.

<sup>37</sup> “ComFrame identifies an IAIG as being an insurance group that has total assets of at least USD 50 billion or gross written premiums of at least USD 10 billion (on a rolling three year average basis). In addition, its premiums are written in three or more jurisdictions and at least 10 percent of the group’s total gross written premium is written outside the home jurisdiction.” See IAIS, *Common Framework for the Supervision of Internationally Active Insurance Groups: Revised Draft*, (Basel: IAIS, September 2014), 2, <https://www.iaisweb.org/page/supervisory-material/common-framework/file/58726/revised-comframe-draft-2014>.

<sup>38</sup> IAIS, *Draft Overall ComFrame*, 9 (paragraph 19).

<sup>39</sup> IAIS, “Consultation: Revised Insurance Core Principles (ICPs) and ComFrame Material Integrated with ICPs (for consultation period March 3, 2017, to June 1, 2017),” <https://www.iaisweb.org/page/consultations/closed-consultations/2017/revision-of-icps-and-comframe>.

<sup>40</sup> See IAIS, *Public Consultation: IAIS Supervisory Material*, <https://www.iaisweb.org/page/consultations/closed-consultations/2019/iais-supervisory-material>.

<sup>41</sup> “Public Consultation: Revisions related to the Holistic Framework for Systemic Risk in the Insurance Sector,” IAIS, last

At its Annual General Meeting in November 2019, the IAIS adopted all of these revisions, including ICP revisions consulted upon in 2017 and 2018, the entirety of ComFrame, and ICS Version 2.0 (discussed below in the section, “ICS Development and Status”).<sup>42</sup> With the adoption of the ICS by the IAIS for the monitoring period, work will begin in 2021 on revising ICPs 14 (Valuation) and 17 (Capital Adequacy).

Team USA has engaged in the IAIS process of revising the ICPs and ComFrame to advocate for standards that are appropriate for the United States. Team USA members have coordinated their advocacy for appropriate standards in the ICPs and ComFrame, resulting in improvements to these standards. Revised ICP and ComFrame provisions, as adopted in 2019, are generally consistent with the current U.S. insurance supervisory system.

### ICS Development and Status

As one component of ComFrame, a risk-sensitive ICS is under development by the IAIS, which if adopted would measure the capital adequacy of an entire insurance group.<sup>43</sup> The ICS is intended to provide a harmonized capital standard across jurisdictions and create a common language for supervisory discussions of group solvency.<sup>44</sup>

At its meetings in November 2019, the IAIS advanced version 2.0 of the ICS into a five-year monitoring period from 2020 through 2024. This followed five years of field testing the ICS with volunteer insurance groups—with each year building upon the previous year’s analysis and discussions—and three separate public ICS consultations over that same period. The compromise agreement reached by IAIS members consisted of the following three parts:

- the design of the reference ICS being developed by the IAIS;<sup>45</sup>
- the parameters around the operationalization of the ICS monitoring period; and
- the IAIS’s approach to assessing the comparability of the ICS and the Aggregation Method (AM), an alternative group capital approach to the ICS, under development by the U.S. and other interested jurisdictions.

At the IAIS meetings in November 2019, FIO registered its official objection to the IAIS’s advancement of version 2.0 of the ICS into a five-year monitoring period.<sup>46</sup> The Federal Reserve, along with the NAIC and state representatives, supported the IAIS’s compromise.<sup>47</sup> Additionally, while the reference ICS would recognize a limited number of national discretions, Team USA will continue to advocate for even greater jurisdictional flexibility in order to ensure that the ICS in its final form accommodates the business model and market practices of the U.S. insurance industry. The Federal Reserve has proposed using an aggregation method in its own supervision of depository institution holding companies significantly engaged in insurance activities.<sup>48</sup> FIO and the Federal Reserve will continue their efforts to improve the ICS.

Team USA members participate in the ICS and Comparability Task Force, which reports directly to the IAIS ExCo. The Task Force provides strategic

updated June 15, 2019, <https://www.iaisweb.org/page/consultations/closed-consultations/2019/revisions-related-to-holistic-framework-for-systemic-risk-in-the-insurance-sector>.

<sup>42</sup> See IAIS, *IAIS ICPs and ComFrame Adopted in November 2019*, <https://www.iaisweb.org/page/supervisory-material/insurance-core-principles-and-comframe/file/89018/iais-icps-and-comframe-adopted-in-november-2019>.

<sup>43</sup> See *IAIS ICPs and ComFrame Adopted in November 2019*, 9 (paragraph 22).

<sup>44</sup> See IAIS, *Public Consultation: Risk-Based Global Insurance Capital Standard (ICS) Version 2.0*, <https://www.iaisweb.org/page/consultations/closed-consultations/2018/ics-version-200/file/76124/ics-version-20-public-consultation-document>.

<sup>45</sup> The reference ICS is “based on market-adjusted valuation (MAV), the standard method for capital requirements and converged criteria for qualifying capital resources.” See also IAIS, *Implementation of ICS Version 2.0*, 1 (November 2, 2017), <https://www.iaisweb.org/file/69796/implementation-of-ics-version-20>.

<sup>46</sup> For more information on Treasury’s position, see Treasury, “Readout on the International Association of Insurance Supervisors Annual Meeting,” press release, November 14, 2019, <https://home.treasury.gov/news/press-releases/sm830>.

<sup>47</sup> For more information on the Federal Reserve’s position, see House Financial Services Committee Hearing on Oversight of Prudential Regulators: Ensuring the Safety, Soundness, Diversity, and Accountability of Depository Institutions? 116th Cong. (2019) (responses of Randal K. Quarles). For more information on the NAIC’s position, see NAIC Press Release November 14, 2019, [https://content.naic.org/article/news\\_release\\_naic\\_advances\\_us\\_objectives\\_insurance\\_capital\\_standard\\_project.htm](https://content.naic.org/article/news_release_naic_advances_us_objectives_insurance_capital_standard_project.htm), and NAIC Interpretive Guidance on ICS Comparability Assessment Framework, <https://content.naic.org/sites/default/files/inline-files/ICS%20Interpretive%20Guidance%20on%20Comparability%20Assessment%20Framework.pdf>.

<sup>48</sup> Federal Reserve, *Regulatory Capital Rules: Risk-Based Capital Requirements for Depository Institution Holding Companies Significantly Engaged in Insurance Activities*, 84 Fed. Reg. 57,240 (October 24, 2019).

steering on the further improvement of the ICS and oversight of the comparability assessment, which will determine whether the AM can be recognized as an alternative implementation of the ICS. Team USA members also participate in the Policy Development Committee, which is responsible for standard-setting activities as well as the subcommittees involved in ICS development, monitoring, and the data collection exercises. FIO and the Federal Reserve will continue to work collaboratively as part of Team USA in the engagement with the IAIS during the ICS monitoring period.<sup>49</sup>

The IAIS's ultimate goal is a single ICS that includes a common methodology through which the ICS achieves comparable—i.e., substantially the same—outcomes across jurisdictions. Toward that end, the IAIS will implement the ICS in two phases: (1) a five-year monitoring period from 2020–24 during which the ICS will continue to be refined through data analysis and feedback from supervisors on its performance and practicality, and (2) a subsequent phase starting in 2025 when the ICS will be implemented as a prescribed capital requirement. Based on the compromise reached in the November 2019 IAIS meetings, the IAIS has requested that annual confidential reporting during the monitoring period be strongly encouraged by supervisors, although it is not mandatory. Confidential reporting involves the reporting of a reference ICS.<sup>50</sup> Additional reporting of the ICS will be allowed at the option of the groupwide supervisor.<sup>51</sup>

In addition, the IAIS will make certain key decisions during the monitoring period on whether other approaches will be part of the final framework of the ICS. An alternative valuation methodology (GAAP Plus) and other methods of calculating the ICS capital requirement—such as with the use of internal models—will be under consideration for inclusion in the ICS. To that end, the IAIS plans to issue a public

consultation in the latter part of the monitoring period, requesting feedback on the design of the ICS as a prescribed capital requirement as well as on GAAP Plus and criteria for evaluating other methods of calculating the ICS capital requirement. Ongoing engagement with industry participants continues to aid members of Team USA in advocating for an ICS that can meet the needs of the U.S. insurance marketplace.

In 2019, the IAIS reached an agreement to move forward on the definition of comparable outcomes and the overarching approach for the development of comparability criteria. Further work will be necessary to develop a comparability assessment. This includes (1) establishing high-level principles that will feed into the criteria for evaluating the AM relative to the ICS, (2) drafting and issuing a public consultation on the definition of comparable outcomes and the high-level principles, and (3) developing appropriate comparability criteria based on the high-level principles that include feedback from the public consultation. The AM better reflects the U.S. insurance regulatory framework than does the reference ICS because the AM leverages the Group Capital Calculation, which is being developed by U.S. state regulators, and the Building Block Approach developed by the Federal Reserve.<sup>52</sup> FIO and the Federal Reserve will be engaged actively in these ongoing discussions on comparability.

As set out in the Act, before “supporting or consenting to the adoption of any final” ICS, Treasury and the Federal Reserve—in consultation with the NAIC—are required to complete a study, and provide a report to Congress, on the impact on U.S. consumers and markets.<sup>53</sup> In the interim, the Federal Reserve and Treasury continue to advocate for an ICS that is appropriate for the U.S. insurance sector and for the IAIS to continue its efforts to develop the criteria and processes such that the AM can be deemed a comparable implementation of the ICS. Treasury and the Federal Reserve consider that, in order for any form of an ICS to be implement-

<sup>49</sup> Treasury, “Readout on the International Association of Insurance Supervisors Annual Meeting,” press release, November 14, 2019, <https://home.treasury.gov/news/press-releases/sm830>.

<sup>50</sup> See IAIS, *Implementation of ICS Version 2.0*, 1 (November 2, 2017), <https://www.iaisweb.org/file/69796/implementation-of-ics-version-20>. Again, it is important to note that IAIS standards are not self-executing in the United States. The IAIS's use of the term “mandatory” applies only within the context of IAIS member commitments and not the U.S. insurance regulatory regime.

<sup>51</sup> Optional reporting for the ICS can include ICS results based on an alternative valuation methodology (generally accepted accounting principles with adjustments or GAAP Plus) and other methods of calculating the ICS capital requirement including with the use of internal models and dynamic hedging.

<sup>52</sup> The Building Block Approach is a capital requirement proposed by the Federal Reserve under which depository institution holding companies significantly engaged in insurance activities would be required to aggregate their state-based capital requirements into a consolidated requirement. Federal Reserve, *Regulatory Capital Rules: Risk-Based Capital Requirements for Depository Institution Holding Companies Significantly Engaged in Insurance Activities*, 84 Fed. Reg. 57,240 (October 24, 2019).

<sup>53</sup> Act § 211(c)(3)(A), 31 U.S.C. § 313 note.



able globally, it must be suitable for the U.S. insurance market.

## Holistic Framework

In November 2019, with approval by the FSB, the IAIS finalized the Holistic Framework for implementation. In light of the finalized Holistic Framework, the FSB, in consultation with the IAIS and national authorities, suspended identification of G-SIIs as of the beginning of 2020.<sup>54</sup> Based on the initial years of implementation of the Holistic Framework, the FSB planned to review the need to either discontinue or re-establish an annual identification of G-SIIs by the FSB in 2022.<sup>55</sup>

Concurrently with the adoption of the Holistic Framework, the IAIS published three related documents—the Holistic Framework,<sup>56</sup> an Explanatory Note,<sup>57</sup> and the Global Monitoring Exercise<sup>58</sup>—in addition to updated ICPs, ComFrame, and guidance.<sup>59</sup> As outlined in these published documents, the Holistic Framework is comprised of three key elements: supervisory material, a global monitoring exercise (GME), and an implementation assessment of related supervisory material. The IAIS implementation assessment of the Holistic Framework supervisory material will focus on globally consistent and effective implementation, building on existing IAIS assessment methodologies. It will proceed in phases: following the initial baseline assessment the implementation assessment will move towards more intensive jurisdictional assessments, which will include targeted, in-depth verification of supervisory prac-

tices.<sup>60</sup> The IAIS will also develop and finalize application papers on macroprudential supervision and liquidity metrics. These activities will be accompanied by reporting to the FSB and to the public.

Treasury and the Federal Reserve supported the development, adoption, and implementation of the Holistic Framework. Although the Holistic Framework has been adopted by the IAIS, significant work remains at the IAIS to implement it. Treasury and the Federal Reserve will remain actively engaged in this ongoing work, advocating for U.S. interests.

## IAIS Strategic Plan

Treasury and the Federal Reserve continue to advocate for robust engagement and strong U.S. representation at the IAIS. Continued engagement by FIO and the Federal Reserve is critical and will remain so in the future. To that end, FIO participated in the IAIS Strategic Plan and Financial Outlook Task Force, which developed the 2020–24 strategic plan adopted by the IAIS in 2019.<sup>61</sup>

The IAIS's 2020–24 strategic plan recognizes that the IAIS will be moving toward different priorities in the next five years, having largely completed the package of reforms related to the 2008 financial crisis.<sup>62</sup> The strategic plan articulates high level goals and strategies to respond to trends and developments that, according to the IAIS, have “the potential to reshape the business of insurance in the coming years.”<sup>63</sup> In 2019, the IAIS condensed and reframed its prior high level goals so that the IAIS core functions can evolve to respond to these trends and developments.<sup>64</sup>

<sup>54</sup> FSB, “FSB welcomes insurance holistic framework,” press release, November 14, 2019, <https://www.fsb.org/2019/11/fsb-welcomes-insurance-holistic-framework/>.

<sup>55</sup> The review was initially planned for November 2022, but the impact of the COVID-19 global pandemic on the timing of this review is still to be determined.

<sup>56</sup> IAIS, *Holistic Framework for Systemic Risk in the Insurance Sector* (November 2019), <https://www.iaisweb.org/page/news/press-releases-prior-to-2014/file/87109/holistic-framework-for-systemic-risk>.

<sup>57</sup> IAIS, *Explanatory Note on Holistic Framework for the Assessment and Mitigation of Systemic Risk in the Insurance Sector* (November 2019), <https://www.iaisweb.org/page/news/press-releases-prior-to-2014/file/87113/explanatory-note-on-holistic-framework-for-systemic-risk>.

<sup>58</sup> IAIS, *Holistic Framework for Systemic Risk in the Insurance Sector: Global Monitoring Exercise* (November 2019), <https://www.iaisweb.org/page/news/press-releases-prior-to-2014/file/87206/global-monitoring-exercise>.

<sup>59</sup> See also the discussion above in the section “ICPs and ComFrame.”

<sup>60</sup> IAIS, *Explanatory Note on Holistic Framework for the Assessment and Mitigation of Systemic Risk in the Insurance Sector*, 3, press release, November 2019, <https://www.iaisweb.org/page/news/press-releases-prior-to-2014/file/87113/explanatory-note-on-holistic-framework-for-systemic-risk>.

<sup>61</sup> IAIS, *The IAIS Strategic Plan 2020-2024* (June 2019), 3, <https://www.iaisweb.org/page/about-the-iais/strategic-plan/file/82533/2020-2024-strategic-plan>.

<sup>62</sup> IAIS, *Strategic Plan*, 3.

<sup>63</sup> IAIS, *Strategic Plan*, 3, 5.

<sup>64</sup> IAIS, *IAIS Mission and 2015-2019 Strategic Goals*, <https://www.iaisweb.org/file/62748/iais-mission-and-2015-19-strategic-goals-amended-12-november-2015> (identifying seven high level goals: (1) assessing and responding to insurance sector vulnerabilities; (2) the IAIS as the global standard setter for insurance; (3) contributing to financial stability in the insurance sector; (4) enhancing effective supervision; (5) enhancing implementation and observance of ICPs; (6) effective stakeholder outreach and external interaction; and (7) effective and efficient organisation and operations).

The 2020–24 strategic plan sets out five new high level goals:

- **Assessing and responding to market developments:** “The IAIS assesses global market trends and developments in, or relevant to, the insurance sector and responds to issues that present opportunities, challenges, and risks relevant to our Mission.”
- **Standards:** “The IAIS sets and maintains globally recognized standards for insurance supervision that are effective and proportionate.”
- **Supporting supervisory practices:** “The IAIS supports its Members by sharing good supervisory practices and facilitating understanding of supervisory issues.”
- **Supporting observance of standards:** “The IAIS assesses and promotes observance of its supervisory material.”
- **Effective operations and transparency:** “The IAIS operates effectively, efficiently and transparently in delivering its Mission and in communicating with stakeholders.”<sup>65</sup>

The strategic plan also notes that it “does not set out a significant increase in the scale of IAIS activities but rather a shift in focus in line with the revised [high level goals] and new strategic themes.”<sup>66</sup> It also explains that the governance structure changes to the IAIS’s committee structure and composition (discussed in the section “[IAIS Overview](#)”) “were introduced in anticipation of the strategic direction” in the strategic plan, and in support of the high level goals.<sup>67</sup>

The IAIS further emphasized that an “important component” of the strategic plan is “the additional attention it gives to proactive stakeholder engagement.”<sup>68</sup> To that end, the IAIS ExCo discussed targeted enhancement to its Stakeholder Engagement Plan, which emphasizes the importance of transparency and meaningful dialogue with stakeholders. (The IAIS’s stakeholder engagement is discussed later in the section “[Transparency Efforts at the IAIS and the FSB](#).”)

Treasury and the Federal Reserve will continue to engage with the IAIS and advocate for U.S. interests as the IAIS implements the strategic plan.

## Other IAIS Work

### Implementation and Assessment Committee

In 2020, the IAIS will begin to pivot from the development of standards to supporting the implementation and assessment of standards. Team USA continues to advocate for effective and appropriate practices at the IAIS, including assessment activities that are appropriate for U.S. interests and the U.S. insurance supervisory system.

The IAIS’s Implementation and Assessment Committee (IAC) is “responsible for issues related to assessments and assistance in the implementation of IAIS principles, standards and guidance.”<sup>69</sup> To achieve its mandate, the IAC may support supervisory discussion and sharing of best practices as well as discussions intended to address implementation challenges and respond to emerging issues.

In 2019, the IAIS completed its first assessment under the new Peer Review Process (PRP) with a PRP on ICP 1 (Objectives, Powers, and Responsibilities of the Supervisor) and ICP 2 (Supervisor).<sup>70</sup> It also completed its first Member Assessment Process of Guernsey<sup>71</sup> and undertook a PRP on ICPs 4, 5, 7, and 8 as well as a PRP on ICP 19.<sup>72</sup>

Treasury and the Federal Reserve are both members of the IAC and multiple, related subcommittees and will continue to advocate for U.S. interests at these groups.

### IAIS Work Product

Treasury and the Federal Reserve continue to participate in many of the committees and subcommittees that develop and draft IAIS written materials. In preparing these materials, Treasury and the Federal Reserve advocate for inclusion of information and

<sup>65</sup> IAIS, *Strategic Plan*, 6, 9-16.

<sup>66</sup> IAIS, *Strategic Plan*, 18.

<sup>67</sup> IAIS, *Strategic Plan*, 18.

<sup>68</sup> IAIS, *IAIS “Newsletter”* (February 2019): 1, <https://www.iaisweb.org/page/news/newsletter-archive/file/80574/iais-newsletter-february-2019>.

<sup>69</sup> *IAIS 2018 Annual Report*, 7.

<sup>70</sup> IAIS, “Newsletter” (October 2019): 2, <https://www.iaisweb.org/page/news/newsletter-archive/file/86774/iais-newsletter-october-2019>.

<sup>71</sup> See, e.g., IAIS, “Newsletter” (June 2019): 11, <https://www.iaisweb.org/page/news/newsletter-archive/file/82778/iais-newsletter-june-2019>.

<sup>72</sup> See, e.g., IAIS, “Newsletter” (December 2019–January 2020): 9, <https://www.iaisweb.org/page/news/newsletter/file/88456/iais-newsletter-december-2019-january-2020>.

guidance reflective of U.S. experience or otherwise relevant to U.S. consumers and insurance markets.

As part of its macroprudential policy and surveillance framework, the IAIS publishes annually the Global Insurance Market Report (GIMAR), a report that reflects insurer and reinsurer performance and supervisory developments, as well as key risks in the global insurance market.<sup>73</sup> In July 2019, the IAIS released its sixth edition of the GIMAR, the 2018 GIMAR.<sup>74</sup>

The IAIS also regularly produces “supporting materials”—issues papers and application papers—as well as other materials, such as correspondence and proposals. Issues papers provide background on particular topics; describe current practices, examples, or case studies on a topic; or identify related regulatory and supervisory issues and challenges. They are “not meant to create expectations on how supervisors should implement supervisory material” but may form part of the preparatory work for developing future standards or recommend future work by the IAIS.<sup>75</sup> The IAIS did not publish any issues papers in 2019 but did have consultations on a draft “Issues Paper on the Implementation of the Recommendations of the Task Force on Climate-related Financial Disclosures” and a “Draft Issues Paper on Use of Big Data Analytics in Insurance.”<sup>76</sup>

Application papers are intended to “help with the practical application of supervisory material” through “advice, illustrations, recommendations or examples of good practice to supervisors on how supervisory material [ICPs, ComFrame, and/or G-SII policy measures] may be implemented.”<sup>77</sup> As with supervisory materials, supporting material undergoes a public consultation process. The IAIS consulted on a “Draft Application Paper on Liquidity Risk Management” and published two application papers in 2019: “Application Paper on Proactive

Supervision of Corporate Governance” (issued in February) and “Application Paper on Recovery Planning” (issued in November).

### IAIS Cross-Border Resolution Planning Activities

As with other topics, Treasury and the Federal Reserve maintain that cross-border resolution planning must take into account existing U.S. supervisory practices. The IAIS formed the Resolution Working Group (ReWG) in late 2013 to develop and maintain supervisory guidance on the resolution of all insurers, and to contribute to the resolution-related content of ComFrame and related ICPs. FIO currently chairs, and the Federal Reserve is a member of, the ReWG. The ReWG also represents the IAIS at relevant FSB bodies, such as the Resolution Steering Group (ReSG) and its subcommittee, the Cross-Border Crisis Management Group for Insurers (iCBCM).

Over 2018–19, in furtherance of its supervisory guidance mission, the ReWG prepared an “Application Paper on Recovery Planning” that was adopted at the IAIS Annual General Meeting in November 2019.<sup>78</sup> Following the adoption of the “Application Paper on Recovery Planning,” the ReWG began drafting another application paper addressing resolution powers and planning based in part on issues raised during the consultation on ICP 12 and related ComFrame material. Work on this application paper is ongoing.

### FSB Cross-Border Resolution Planning Activities

The FSB oversees some insurance resolution planning work through the iCBCM.<sup>79</sup> The FSB’s iCBCM assists and supports regulatory authorities in the development and implementation of resolution-related policy measures for G-SIIs. Specifically, the iCBCM works under the direction of the FSB’s ReSG and in coordination with the IAIS’s ReWG to develop guidance for resolution powers and tools regarding G-SIIs as well as addressing issues relating

<sup>73</sup> IAIS, “Global Insurance Market Report (GIMAR),” <https://www.iaisweb.org/page/supervisory-material/financial-stability/global-insurance-market-report-gimar>.

<sup>74</sup> IAIS, *2018 GIMAR* (July 2019), <https://www.iaisweb.org/page/supervisory-material/financial-stability/global-insurance-market-report-gimar/file/82889/iais-global-insurance-market-report-2018v2>. See also IAIS, “Newsletter” (Summer 2019): 3, <https://www.iaisweb.org/page/news/newsletter-archive/file/83788/iais-newsletter-summer-2019>.

<sup>75</sup> IAIS, “Issues Papers,” <https://www.iaisweb.org/page/supervisory-material/issues-papers>.

<sup>76</sup> IAIS, “Closed Consultations: 2019,” <https://www.iaisweb.org/page/consultations/closed-consultations/2019>.

<sup>77</sup> IAIS, “Application Papers,” <https://www.iaisweb.org/page/supervisory-material/application-papers>.

<sup>78</sup> IAIS, “Application Paper on Recovery Planning,” (November 2019), <https://www.iaisweb.org/page/supervisory-material/application-papers/file/87519/application-paper-on-recovery-planning>.

<sup>79</sup> See *2018 Fed-FIO Annual Report*.



to their application.<sup>80</sup> Both FIO and the Federal Reserve are members of the iCBCM.

In 2014, the FSB released its *Key Attributes for Effective Resolution Regimes for Financial Institutions* (Key Attributes), which covers financial institutions overall, and includes separate annexes for various sectors, including insurance.<sup>81</sup> During 2019, the iCBCM continued work on the *Key Attributes Assessment Methodology for the Insurance Sector* (KAAM), which is a proposed approach for assessing implementation of the Key Attributes in the insurance sector.<sup>82</sup> The FSB addressed comments

received from a consultation in March 2018 and tested the revised draft in an International Monetary Fund Financial Sector Assessment Program (FSAP) pilot assessment in 2019. The draft KAAM was further revised in the context of lessons learned during the FSAP exercise.

In November 2019, the FSB issued its eighth report on the implementation of resolution reforms, which noted that the iCBCM intends to continue to serve as a forum for authorities to share views, exchange experiences, and discuss challenges in relation to orderly resolution of insurers.<sup>83</sup>

<sup>80</sup> FSB, *FSB 2019 Resolution Report: Mind the Gap*, (Basel: FSB, November 2019), 16, <https://www.fsb.org/wp-content/uploads/P141119-3.pdf>.

<sup>81</sup> FSB, *Key Attributes of Effective Resolution Regimes for Financial Institutions* (October 15, 2014), [http://www.fsb.org/wp-content/uploads/r\\_141015.pdf](http://www.fsb.org/wp-content/uploads/r_141015.pdf).

<sup>82</sup> See FSB, *Public responses to the consultation on Key Attributes Assessment Methodology for the Insurance Sector* (March 5,

2018), <http://www.fsb.org/2018/03/public-responses-to-the-consultation-on-key-attributes-assessment-methodology-for-the-insurance-sector/>; <http://www.fsb.org/wp-content/uploads/P211217.pdf>; FSB, *Key Attributes Assessment Methodology for the Insurance Sector: Consultative Document* (December 2017), <http://www.fsb.org/2017/12/key-attributes-assessment-methodology-for-the-insurance-sector-consultative-document/>.

<sup>83</sup> FSB, *FSB 2019 Resolution Report*, 16.



# Transparency Efforts at the IAIS and the FSB

Team USA promotes efforts to increase transparency at the IAIS and the FSB. It also promotes transparency with stakeholders through the FACI, which provides non-binding advice and recommendations to FIO, and the IPAC, which serves a similar role for the Federal Reserve.

## IAIS Transparency Efforts

To improve transparency throughout 2019, the IAIS continued to build on previously noted steps,<sup>84</sup> including

- enshrining in IAIS by-laws the requirement to “operate in an open and transparent manner”;<sup>85</sup>
- committing, in its 2017 Stakeholder Engagement Plan, to enhanced engagement opportunities;<sup>86</sup>
- holding an annual conference, open to all stakeholders and the general public;<sup>87</sup> and
- expanding reliance on its newsletter and website to publish key materials and publicize engagement opportunities.<sup>88</sup>

In 2019, the IAIS secretary general further asserted that the IAIS has “a fresh commitment to further strengthen these stakeholder engagement efforts.” He stated that future plans include extending the length of public consultation periods wherever possible; expanding the participation of new stakeholders

(such as FinTech practitioners) in milestone events; organizing additional subject matter-specific workshops on emerging or emerged risks; expanding external representation in organizations relevant to the IAIS’s new strategic themes; extending efforts to actively seek input from consumer groups; reaching out to academics for global dialogues; and holding roundtable discussions with chief risk officers, investors, and rating agencies on sector developments and regulatory reforms.”<sup>89</sup>

The IAIS also discussed the appropriate level of transparency on the identification of IAIGs.<sup>90</sup> The IAIS will publish a list of IAIGs that have been publicly identified by their groupwide supervisor.<sup>91</sup> Neither the Federal Reserve nor FIO currently acts as a groupwide supervisor for an IAIG.

Finalization and adoption of standards (ICPs and ComFrame) and guidance (issues papers and application papers) are always preceded by publication in draft, solicitation of comments, and a summary of how stakeholder comments were addressed or resolved.<sup>92</sup> Moreover, individual IAIS committees and subcommittees from time to time also organize stakeholder outreach sessions to discuss ongoing work and matters of interest for the mutual exchange of ideas, suggestions, insights, and concerns.<sup>93</sup> In addition, the major policy initiatives of the IAIS in recent years—ICS, the Holistic Framework, and ComFrame—have been undertaken in an increas-

<sup>84</sup> See *2018 Transparency Report, 2018 Fed-FIO Annual Report*.

<sup>85</sup> See “IAIS By-Laws,” Art. 2(3).

<sup>86</sup> See IAIS, *Stakeholder Engagement Plan* (Basel: IAIS, March 2017), <https://www.iaisweb.org/page/about-the-iais/policies-and-procedures/file/65579/iais-stakeholder-engagement-plan-2017>. See also IAIS, *2017 Annual Report*, 10 (referencing the “commitments contained in the IAIS *Stakeholder Engagement Plan*”).

<sup>87</sup> See, e.g., IAIS, “International Association of Insurance Supervisors 25<sup>th</sup> Annual Conference,” <https://annualconference.iaisweb.org/2018/welcome.html>; IAIS, *Stakeholder Engagement Plan*, section I(J).

<sup>88</sup> See, e.g., IAIS, “Newsletter,” <https://www.iaisweb.org/page/news/newsletter>; IAIS, *Stakeholder Engagement Plan*, section I(K).

<sup>89</sup> IAIS, “Newsletter” (Summer 2019): 1, <https://www.iaisweb.org/page/news/newsletter-archive/file/83788/iais-newsletter-summer-2019>.

<sup>90</sup> IAIS, “Newsletter” (June 2019): 6, <https://www.iaisweb.org/page/news/newsletter-archive/file/82778/iais-newsletter-june-2019>.

<sup>91</sup> IAIS, “Frequently Asked Questions: IAIS Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame),” 4, <https://www.iaisweb.org/page/supervisory-material/insurance-core-principles-and-comframe/file/87287/comframe-frequently-asked-questions>.

<sup>92</sup> All current and closed consultations are compiled and published on the IAIS website. See IAIS, “Consultations,” <https://www.iaisweb.org/page/consultations>.

<sup>93</sup> For example, note in table 2 the multiple sessions held in 2019 by the Accounting and Auditing Working Group.

ingly transparent manner, through multiple consultations and public background sessions worldwide.<sup>94</sup>

Treasury and the Federal Reserve support such transparency efforts through their engagement with one another, and with the state members of Team USA, in preparation for IAIS stakeholder sessions and in responding to stakeholder comments. Further, to enhance stakeholder outreach, Team USA works together to host meetings and active working sessions with U.S. insurance industry stakeholders for open dialogue regarding policy matters currently before the IAIS. On May 1, 2019, FIO hosted a stakeholder session on IAIS work at Treasury with representatives from the members of Team USA: FIO, the Federal Reserve, the NAIC, and the state insurance regulators. The topics addressed included the development of the ICS and the development of the IAIS's Holistic Framework. Throughout 2019,

FIO continued to coordinate efforts on international insurance matters to ensure that U.S. stakeholders have regular opportunities to meet and work with Team USA.

The compilation of the various stakeholder consultations conducted by the IAIS in 2019 appears in table 2. Team USA members have been active participants in each of the sessions, including by chairing some of them. In the view of Treasury and the Federal Reserve, this expansive list demonstrates that the IAIS is taking seriously the need for transparency, for which Team USA will continue to advocate.

The IAIS also published a 2019 “public roadmap” to inform stakeholders of the IAIS's key activities and to facilitate greater awareness and engagement in these activities.<sup>95</sup> The roadmap categorized the IAIS's key activities for 2019 thematically as (1) stan-

<sup>94</sup> See, e.g., ICS “stakeholder consultation event” listed in table 2. Note that all consultations are commenced both by publication of the relevant materials and at least a telephonic background session open to the public.

<sup>95</sup> IAIS, *IAIS Key Projects – Public Roadmap for 2019*, <https://www.iaisweb.org/page/about-the-iais/public-roadmap/file/82771/key-iais-projects-for-2019-public-roadmap>.

**Table 2. IAIS stakeholder consultations and meetings, 2019**

Date	Consultations and meetings
January 15, 2019	Stakeholder consultation event (Miami, Florida) on proposed Holistic Framework for the Assessment and Mitigation of Systemic Risk in the Insurance Sector.
February 1, 2019	Stakeholder consultation event (Basel, Switzerland) on ICS Version 2.0 consultation document.
February 28, 2019	Interested stakeholder call-in session with IAIS Accounting and Auditing Working Group to provide updates on its activities and gather feedback on key matters of interest.
March 7, 2019	Public discussion session (teleconference) on comments received during the 2018 public consultation on the “Application Paper on Proactive Supervision of Corporate Governance.”
April 10, 2019	Stakeholder consultation event (Orlando, Florida) to provide a forum for constructive feedback on ICS Version 2.0.
May 22, 2019	Interested stakeholder call-in session with IAIS Accounting and Auditing Working Group to provide updates on its activities and gather feedback on key matters of interest.
June 28, 2019	Public background session (teleconference) on the following materials: Draft revised IAIS Glossary, Draft ComFrame Assessment Methodology, Draft ComFrame Assessment Methodology, Revisions to the Introduction to ICPs and ICP 7 (Corporate Governance) related to ComFrame development, and Draft revised ICP 22 (Anti-Money-Laundering and Combating the Financing of Terrorism).
July 2, 2019	Public discussion session on the outcome of the 2018 public consultation on overall ComFrame.
August 2, 2019	Public background session (teleconference) on the following draft revisions related to the holistic framework: ICP 9 (Supervisory Review and Reporting) and ComFrame in ICP 9, ICP 10 (Preventive Measures, Corrective Measures and Sanctions), ICP 16 (Enterprise Risk Management for Solvency Purposes) and ComFrame in ICP 16, ICP 20 (Public Disclosure), and ICP 24 (Macroprudential Supervision).
September 4, 2019	Interested stakeholder call-in session with IAIS Accounting and Auditing Working Group to gather feedback on IASB Exposure Draft Amendments to IFRS 17.
September 9, 2019	Stakeholder session (teleconference) on the ICS Version 2.0 public field testing package that was released on June 25, 2019.
September 23, 2019	Public background session (teleconference) on the draft issues paper on “The Use of Big Data Analytics in Insurance” that was released on September 2, 2019.
September 23, 2019	Interested stakeholder call-in session with IAIS Accounting and Auditing Working Group to provide updates on its activities and gather feedback on key matters of interest.
November 26, 2019	Public discussion session (teleconference) on the outcome of the 2019 public consultation on the following items: Draft revised IAIS Glossary, Draft ComFrame Assessment Methodology, Revisions to the Introduction to ICPs and ICP 7 (Corporate Governance) related to ComFrame development, Draft revised ICP 22 (Anti-Money-Laundering and Combating the Financing of Terrorism), and Application Paper on Recovery Planning.
December 10, 2019	Public background and discussion session (teleconference) related to the Holistic Framework for Systemic Risk in the Insurance Sector, addressing key elements of the framework.
	Public consultation on an “Application Paper on Liquidity Risk Management.”

Source: IAIS, “Stakeholder Meetings,” <https://www.iaisweb.org/page/events/stakeholder-meetings/previous-meetings>.

dard setting, (2) financial stability, (3) implementation and assessment, and (4) assessing and responding to emerging and emerged risks and opportunities. The roadmap lists and describes IAIS projects and provides key milestones.

## FSB Transparency Efforts

Treasury and Federal Reserve have also worked to increase transparency at the FSB, including through the Federal Reserve's leadership role. Since December 2, 2018, Federal Reserve Vice Chair for Supervision, Randal K. Quarles, has served as FSB chair. He has made increasing FSB transparency and stakeholder engagement a key part of the group's agenda. In 2019, for the first time in the FSB's history, the FSB publicly disseminated its comprehensive work program. Vice Chair Quarles and the FSB continue to look for ways to further increase stakeholder engagement. Also in 2019, the FSB conducted a study of its regional consultative groups to improve the efficacy of outreach and feedback mechanisms. The FSB has also increased its direct engagement with insurers, including on the ICS. In 2019, the FSB and IAIS held a joint stakeholder engagement event with representatives of the large internationally active insurance groups. In the recovery planning and resolution area, the iCBCM has held several stakeholder sessions. These sessions have focused on invited stakeholders, seeking their input to the iCBCM on specific topics.

## Federal Advisory Committee on Insurance

FIO receives non-binding advice and recommendations from FACI, which includes a cross-section of members who represent the views of state and non-government persons having an interest in FIO's duties and authorities, including state insurance regulators, industry experts, and consumer advocates. FACI has three subcommittees, which prepare draft recommendations for FACI's consideration. The Subcommittee on FIO's International Work presented draft recommendations to FACI at the September 2019 and December 2019 meetings, which FACI adopted and formally presented to FIO.<sup>96</sup>

<sup>96</sup> FACI, *Minutes – 23 September 2019*, 14, [https://home.treasury.gov/system/files/311/September2019FACI\\_Minutes.pdf](https://home.treasury.gov/system/files/311/September2019FACI_Minutes.pdf); FACI, *Minutes – December 5, 2019*, 5-7, [https://home.treasury.gov/system/files/311/December2019FACI\\_Minutes.pdf](https://home.treasury.gov/system/files/311/December2019FACI_Minutes.pdf).

At the September 2019 meeting, FACI presented ICS-related recommendations urging FIO to focus on

- “The importance of continued strong collaboration across the members of Team USA in its negotiations at the IAIS.”
- “Establishing a viable pathway to international acceptance of Aggregation. This effort should be the key priority for Team USA and should encompass: outreach and education on the NAIC's development of its Aggregation construct, well-specified IAIS public communications about the way forward, detailed work-plans and timelines, and realistic and achievable criteria for assessing Comparability.”
- “Developing a coherent design and candid framing of the so-called ‘Monitoring Period’—which, in addition to concrete work-plans on Comparability, should also specify mechanisms for further work, messaging on the inappropriateness of use of ICS results by third parties (such as rating agencies), and impact testing of the potential negative externalities of the ICS on product availability and procyclicality.”

The written recommendations elaborated on each of the three key points above.

FACI also recommended a continued focus on the Holistic Framework around a set of five substantive themes: (1) promoting a true cross-sectoral, activities-based approach; (2) ensuring that macro-prudential surveillance does not become a monolithic, over-engineered data mining exercise; (3) ensuring that the IAIS approach does not overtly single out or discriminate against U.S. insurance products; (4) deferring to local supervisors as the primary and accountable authorities for systemic risk oversight; and (5) implementing the ABA based on a principle of proportionality relative to an insurer's exposure to potential systemically risky activities.<sup>97</sup>

At the December 2019 meeting, FACI stated that Team USA had delivered an IAIS outcome consistent with its recommendations, particularly with respect to “well-specified IAIS public communications about the way forward, detailed work-plans and timelines, and realistic and achievable criteria for

<sup>97</sup> See “Recommendations re. FIO's International Work,” FACI Subcommittee on FIO's International Work, September 23, 2019, [https://home.treasury.gov/system/files/311/September2019FACI\\_Intl\\_Sub\\_Presentation.pdf](https://home.treasury.gov/system/files/311/September2019FACI_Intl_Sub_Presentation.pdf).

assessing Comparability” as well as providing “coherent design and candid framing of the Monitoring Period.” FACI then noted, “The outcome from [the November 2019 IAIS meetings] demonstrably enhances the stature of Aggregation within the ICS process, while laying a solid foundation for further substantive work to demonstrate Comparability with ICS.” FACI recommended that FIO, in “forging ahead on the next critical steps,”

- “Help to drive forward the work needed to ensure timely execution on the milestones laid out in [the November 2019 IAIS meetings in] Abu Dhabi”;
- “Continue its successful engagement model,” including both “active and coordinated collaboration across Team USA” and “frequent and transparent stakeholder engagement”; and
- “Execute substantively on the outcome from Abu Dhabi,” including “the integration of Aggregation into all relevant aspects of the ICS work plan during the Monitoring Period”; “a methodical, objective, and evidence-based clarification of the potential ambiguities inherent in the published IAIS Comparability definition and principles”; “continued technical enhancements to the ICS, particularly with a view to aligning the ICS design more closely with US business models and capital management practices”; and “reinforcement of the IAIS messaging that ICS ratio reporting (i) is non-mandatory and provisional in nature, (ii) must remain strictly confidential and should not be disclosed by individual insurers (even on a voluntary basis), and (iii) should not be used by third parties for assessing insurer financial strength during the Monitoring Period.”<sup>98</sup>

These recommendations were taken into consideration by FIO and helped inform Treasury’s position on the ICS and the Holistic Framework.

## Insurance Policy Advisory Committee

During 2019, the Federal Reserve implemented the requirement to form the IPAC, which was established

by Congress through the Act.<sup>99</sup> The Act provides that the IPAC may have up to 21 members, “represent[ing] a diverse set of expert perspectives from the various sectors of the United States insurance industry, including life insurance, property and casualty insurance and reinsurance, agents and brokers, academics, consumer advocates, or experts on issues facing underserved insurance communities and consumers.”<sup>100</sup> During 2019, the Federal Reserve adopted a charter for the group, established a new record system to facilitate receiving public applications for membership on the IPAC,<sup>101</sup> solicited applications for the IPAC,<sup>102</sup> and appointed the inaugural 21 members of the IPAC.<sup>103</sup> The inaugural IPAC members include persons with expertise in life insurance, property and casualty insurance, and reinsurance. Members have professional backgrounds in insurance accounting, actuarial science, academia, insurance regulation, policyholder advocacy, capital markets, and other areas.

The Federal Reserve hosted the first meeting of the IPAC on November 4, 2019. This meeting occurred before the IAIS Annual General Meeting to allow the IPAC to advise the Federal Reserve in matters related to the ICS negotiations. During the meeting, the IPAC also advised the Federal Reserve on its proposed Building Block Approach and other matters.

<sup>99</sup> See Act § 211(b), 31 U.S.C. § 313 note (establishing the Insurance Policy Advisory Committee).

<sup>100</sup> Act § 211(b)(2).

<sup>101</sup> Privacy Act of 1974; System of Records, 84 Fed. Reg. 2866 (February 8, 2019), <https://www.federalregister.gov/documents/2019/02/08/2019-01639/privacy-act-of-1974-system-of-records>; see also “Privacy Impact Assessment of the Insurance Policy Advisory Committee Systems,” Board of Governors (March 20, 2019), [https://www.federalreserve.gov/files/pia\\_ipac.pdf](https://www.federalreserve.gov/files/pia_ipac.pdf).

<sup>102</sup> Solicitation of Statements of Interest for Membership on the Insurance Policy Advisory Committee, 84 Fed. Reg. 33,264 (July 12, 2019), <https://www.federalregister.gov/documents/2019/07/12/2019-14873/solicitation-of-statements-of-interest-for-membership-on-the-insurance-policy-advisory-committee>.

<sup>103</sup> Federal Reserve, Federal Reserve Board announces inaugural 21 members of the Insurance Policy Advisory Committee, press release, October 16, 2019, <https://www.federalreserve.gov/newsevents/pressreleases/other20191016a.htm>.

<sup>98</sup> See “Recommendations re. FIO’s International Work,” FACI Subcommittee on FIO’s International Work, December 5, 2019, [https://home.treasury.gov/system/files/311/December2019FACI\\_InternationalProposedRecs\\_0.pdf](https://home.treasury.gov/system/files/311/December2019FACI_InternationalProposedRecs_0.pdf).

# Conclusion

In 2019, Treasury and the Federal Reserve—in coordination with other Team USA members—continued to advocate for the development of international insurance standards that are appropriate for the United States. Treasury and the Federal Reserve will continue to strengthen their engagement in the work of the IAIS, FSB, and OECD, including, but not limited to, the ongoing development of the ICS and implementation of the IAIS’s Holistic Framework.

Going forward, Treasury and the Federal Reserve will continue to advocate for insurance regulatory and supervisory standards that are appropriate for the United States, and continue to report to Congress on their efforts. In addition, Treasury and the Federal Reserve will continue their efforts to increase transparency at the IAIS and the other relevant standard-setting bodies.





[home.treasury.gov](http://home.treasury.gov)  
[www.federalreserve.gov](http://www.federalreserve.gov)