



REPORT TO CONGRESS

# Engagement in Global Insurance Regulatory or Supervisory Forums in 2021

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# Introduction

This report is submitted by the Secretary of the U.S. Department of the 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 directs the Secretary of the Treasury and the Chair of the Federal Reserve, or their designee, to submit an annual report to Congress on their efforts 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 Federal 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 fourth annual report follows the same format as prior reports.<sup>2</sup> This report covers activities and developments during calendar year 2021. Specifically, the report begins, in the section

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<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, *Engagement in Global Insurance Regulatory or Supervisory Forums in 2020* (2022) (2020 Fed-FIO Annual Report) (Washington: U.S. Department of the Treasury and Board of Governors of the Federal Reserve System, February 2022), <https://www.federalreserve.gov/publications/files/global-insurance-forums-20220201.pdf>; 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 2019* (2020) (2019 Fed-FIO Annual Report) (Washington: U.S. Department of the Treasury and Board of Governors of the Federal Reserve System, December 2020), <https://home.treasury.gov/system/files/311/Treasury-FRB-Report-2020.pdf>; 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://www.federalreserve.gov/publications/files/Report-on-global-insurance-regulatory-or-supervisory-forums2019.pdf>.

“[International Insurance Issues, Positions, and Effects](#),” by describing in general terms the efforts of the Federal Reserve and Treasury (specifically, the Federal Insurance Office or FIO) 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 in 2021, such as monitoring and responding to COVID-19’s impacts on the insurance industry; activities related to climate risk; the work on the Insurance Capital Standard (ICS), implementation of the Holistic Framework for Systemic Risk in the Insurance Sector (Holistic Framework); activities related to Diversity, Equity, and Inclusion; and other initiatives.

The report continues, in the section “[Transparency Efforts at the IAIS and the FSB](#),” by providing a summary of ongoing efforts by FIO and the Federal Reserve 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 FIO and the Federal Reserve, collectively referred to as Team USA).<sup>4</sup> This section also provides an update on the Insurance Policy Advisory Committee (IPAC), which was established by the Act to advise the Federal Reserve on insurance issues.<sup>5</sup> Additionally, it 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 FIO 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, are intended to ensure that the United States continues to be able to influence international standards for insurance supervision and regulation. 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. In the United States, no international insurance standards are

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<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.

<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://home.treasury.gov/system/files/311/Treasury\\_FRB\\_Report\\_2019.pdf](https://home.treasury.gov/system/files/311/Treasury_FRB_Report_2019.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).

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 2020 and 2021 annual reports.<sup>7</sup> These annual reports include detailed descriptions of FIO's international and domestic activities in 2020 and in the first half of 2021. FIO's annual reports also discuss international activities outside of the global insurance regulatory and supervisory forums addressed here; these activities include bilateral and/or multilateral discussions and agreements (such as those that 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 annual reports discuss input received from the FACI, including through its subcommittee on international developments.<sup>8</sup>

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<sup>7</sup> 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>; FIO, *2021 Annual Report on the Insurance Industry (2021) (2021 Annual Report)* (Washington: FIO, September 2021), <https://home.treasury.gov/system/files/311/FIO-2021-Annual-Report-Insurance-Industry.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>.

# 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>9</sup> As previously reported, in discussions at global insurance regulatory and supervisory forums, FIO and the Federal Reserve promote robust engagement to ensure that U.S. insurance stakeholders and the federal government are well represented.<sup>10</sup> The Federal Reserve and FIO 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.

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>11</sup> While certain IAIS standards remain under development, depending on how they are finalized, they could affect U.S. insurers operating in foreign markets, 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>12</sup> In their international engagement on insurance issues, FIO and the Federal Reserve continue to coordinate closely with each other and with the other U.S. members of the IAIS.

## 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

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<sup>9</sup> See Act § 211(c)(1)(A)(i), (iii), 31 U.S.C. § 313 note.

<sup>10</sup> See, e.g., *2018 Fed-FIO Annual Report*.

<sup>11</sup> See Act § 211(c)(1)(A)(ii), 31 U.S.C. § 313 note.

<sup>12</sup> Act § 211(c)(3)(A), 31 U.S.C. § 313 note.

supervision of the insurance sector.<sup>13</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 200 jurisdictions, accounting for 97 percent of worldwide insurance premium volume.<sup>14</sup>

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>15</sup>

The IAIS operates through five key mechanisms: (1) the General Meeting, which ultimately oversees all matters before the IAIS; (2) the Executive Committee, 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 the 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>16</sup> Outside of its standard-setting and policymaking activities, the IAIS has an Audit and Risk Committee that monitors and evaluates its risk exposures and a Budget Committee that oversees its financial condition and management.<sup>17</sup>

Multiple working groups and task forces, focused on a range of prudential regulation and market supervision topics, report to these committees.<sup>18</sup> All of the committees and subcommittees (“subcommittees” includes both IAIS working groups and IAIS task forces) are composed of and chaired by IAIS members. Hosted by the Bank for International Settlements in Basel, Switzerland, the IAIS operates with the support of a secretariat under the direction of a secretary general. Figure 1 illustrates the IAIS organizational structure in 2021. FIO, the Federal Reserve, and the states are represented on the IAIS Executive Committee.

In line with its 2020-24 Strategic Plan and Financial Outlook, the IAIS has increased its focus on assessing the implementation of standards and applying best practices as well as increasing its

<sup>13</sup> See, e.g., IAIS, *2020 IAIS Annual Report* (Basel: IAIS, November 2021), 8, <https://www.iaisweb.org/uploads/2022/01/211115-IAIS-AR-2020-Digital-PDF-Def.pdf>.

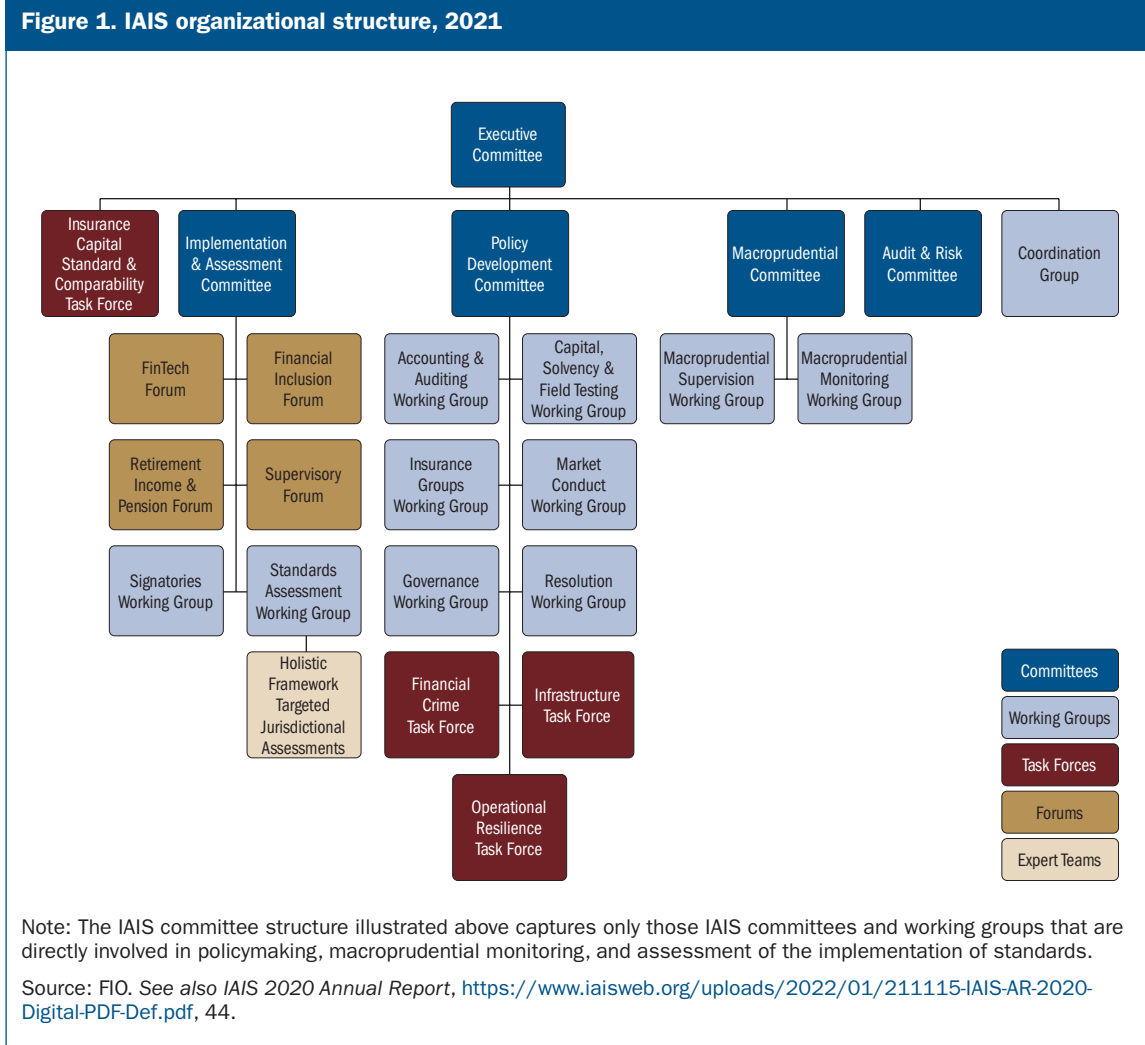
<sup>14</sup> 2020 IAIS Annual Report, 8. See also IAIS, *IAIS Organisation Members* (February 23, 2022), <https://www.iaisweb.org/uploads/2022/02/List-of-IAIS-Members.pdf>.

<sup>15</sup> IAIS, *2017 IAIS Annual Report* (Basel: IAIS, November 2018), 10, <https://www.iaisweb.org/uploads/2022/01/181113-IAIS-AR-2017-Digital-PDF-Def-SP.pdf>.

<sup>16</sup> See, e.g., IAIS, “IAIS By-Laws,” <https://www.iaisweb.org/uploads/2022/01/181207-2018-By-Law-Amendments-8-November-2018.pdf>; IAIS, “IAIS Organisational Structure,” <https://www.iaisweb.org/about-the-iais/organisational-structure>.

<sup>17</sup> *2020 IAIS Annual Report* (Basel: IAIS, November 2021), <https://www.iaisweb.org/uploads/2022/01/211115-IAIS-AR-2020-Digital-PDF-Def.pdf>.

<sup>18</sup> The structure and operation of the IAIS, as well as FIO’s role at the IAIS, are discussed in FIO’s *2020 Annual Report*, 74-78. See also IAIS *2020 Annual Report*, 44, <https://www.iaisweb.org/publications/annual-reports>.



efforts to help its members understand the challenges posed by climate risk, cyber risk, technological innovation, inclusiveness, and sustainable development.<sup>19</sup>

## FSB Overview

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>20</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

<sup>19</sup> IAIS, *The IAIS Strategic Plan 2020-2024* (June 2019), <https://iaisweb.org/uploads/2022/01/190613-2020-2024-Strategic-Plan.pdf>.

<sup>20</sup> 2018 *Fed-FIO Annual Report*. See also Treasury, *Insurance EO Report*, 57–59, 130; FSB, “History of the FSB,” <https://www.fsb.org/history-of-the-fsb/>; FSB, “About the FSB,” <https://www.fsb.org/about/>.



internationally agreed policies and minimum standards that its members commit to implementing” in their jurisdictions through the relevant financial authorities.<sup>21</sup>

The FSB’s current membership consists of 71 institutions from 24 jurisdictions and 13 international organizations and standard-setting bodies, including the IAIS.<sup>22</sup> Treasury, the Federal Reserve, and the Securities and Exchange Commission are the FSB’s U.S. members.<sup>23</sup> Randal K. Quarles’ term as the FSB Chair ended at the beginning of December 2021.

The FSB has created a compendium of standards that have been developed by various standard-setting 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>24</sup> The compendium includes standards that pertain to insurance, including the Insurance Core Principles, Standards, Guidance, and Assessment Methodology; the Key Attributes of Effective Resolution Regimes for Financial Institutions (discussed later in the “FSB Cross-Border Resolution” section); and the G-20/OECD Principles of Corporate Governance.<sup>25</sup>

## OECD Overview

The OECD operates through more than 300 committees, experts, and working groups, supported by a secretariat.<sup>26</sup> Within this structure, insurance matters are addressed by 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. For the IPPC and WPPP, delegates from FIO and the U.S. Departments of Commerce and Labor, along with state insurance regulators, represent the views of the United States.

The OECD develops legal instruments to express policies that its membership has developed. Typically, these instruments are non-legally binding recommendations and declarations. As of December 31, 2021, the IPPC has helped develop 22 of these legal instruments since 1961, eight of which were in force as non-legally binding recommendations.<sup>27</sup> Table 1 shows the in-force recommendations developed and adopted by the IPPC as of December 31, 2021.

<sup>21</sup> FSB, “About the FSB,” <https://www.fsb.org/about/>.

<sup>22</sup> FSB, “Members of the FSB,” <https://www.fsb.org/about/organisation-and-governance/members-of-the-financial-stability-board/>.

<sup>23</sup> FSB, *Annual Report April 2020–31 March 2021* (Basel: FSB, August 2021), 19, <https://www.fsb.org/wp-content/uploads/P300821.pdf>.

<sup>24</sup> FSB, “The Compendium of Standards,” <http://www.fsb.org/work-of-the-fsb/about-the-compendium-of-standards/>.

<sup>25</sup> FSB, “Key Standards for Sound Financial Systems,” [https://www.fsb.org/work-of-the-fsb/about-the-compendium-of-standards/key\\_standards/](https://www.fsb.org/work-of-the-fsb/about-the-compendium-of-standards/key_standards/).

<sup>26</sup> OECD, “Organisational Structure,” <https://www.oecd.org/about/structure/>.

<sup>27</sup> OECD, “OECD Legal Instruments involving the Insurance and Private Pensions Committee,” <https://legalinstruments.oecd.org/en/instruments?mode=advanced&committeelds=1651&dateType=adoption>.

Table 1. OECD in-force insurance-related recommendations from the IPPC as of December 31, 2021	
Recommendations	Date adopted
Financial Literacy	Oct. 29, 2020
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
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," <a href="https://legalinstruments.oecd.org/en/instruments?mode=advanced&amp;committeelds=1651&amp;dateType=adoption">https://legalinstruments.oecd.org/en/instruments?mode=advanced&amp;committeelds=1651&amp;dateType=adoption</a> .	

In 2021, the IPPC contributed to several OECD publications, including *Global Insurance Market Trends 2020*, *Public and Private Sector Relationships in Long-term Care and Healthcare Insurance*, *Insurance Markets in Figures*, and *Enhancing Financial Protection Against Catastrophe Risks*.<sup>28</sup> It also updated its prior analysis on policy responses to the COVID-19 pandemic and the pandemic protection gap in insurance.<sup>29</sup>

Over the next few years, the IPPC is expected to continue to address issues relating to, among other things, digitalization and innovation, long-term care insurance, and catastrophe risk insurance programs. Many of these issues relate to significant U.S. policy initiatives being led by Treasury and therefore, as FIO noted in its *2021 Annual Report*, it plans to continue to take a leadership role on insurance matters at the OECD.<sup>30</sup>

## IAIS Activities

The key issues under discussion at the IAIS include issues related to (1) climate risk; (2) the ICS; (3) the Holistic Framework and macroprudential work; (4) assessment work; (5) diversity, equity, and inclusion; (6) other IAIS activity; and (7) FSB cross-border resolution. Much of the work described below is ongoing and is expected to continue through 2022 and beyond.

<sup>28</sup> OECD, *Global Insurance Market Trends 2020* (January 2021), <https://www.oecd.org/daf/fin/insurance/Global-Insurance-Market-Trends-2020.pdf>; OECD, *Public and Private Sector Relationships in Long-term Care and Healthcare Insurance* (February 2021), <http://www.oecd.org/daf/fin/insurance/Public-and-Private-Sector-Relationships-in-Long-term-Care-and-Healthcare-Insurance.pdf>; OECD, *Insurance Markets in Figures* (June 2021), <https://www.oecd.org/daf/fin/insurance/Insurance-Markets-in-Figures-2021.pdf>; OECD, *Enhancing Financial Protection Against Catastrophe Risks: The Role of Catastrophe Risk Insurance Programmes* (October 2021), <https://www.oecd.org/daf/fin/insurance/enhancing-financial-protection-against-catastrophe-risks.htm>.

<sup>29</sup> "Responding to the COVID-19 and Pandemic Protection Gap in Insurance," OECD, last modified March 16, 2021, <https://www.oecd.org/coronavirus/policy-responses/responding-to-the-covid-19-and-pandemic-protection-gap-in-insurance-35e74736/>.

<sup>30</sup> FIO, *2021 Annual Report*, 113.

## Climate Risk

During 2021, the IAIS increased work on climate risks in the insurance sector by finalizing an application paper for supervision of climate risks in insurance,<sup>31</sup> publishing a climate special edition topic for the Global Insurance Market Report (GIMAR),<sup>32</sup> creating a Climate Risk Steering Group (CRSG), issuing a statement of IAIS commitment to a climate change response,<sup>33</sup> and participating in the Climate Training alliance, which launched a training website.<sup>34</sup>

In May 2021, the IAIS and the Sustainable Insurance Forum (SIF) issued the Application Paper on Supervising Climate-related Risks in the Insurance Sector following its 2020 consultation. The paper provides supervisors with guidance on how to apply the Insurance Core Principles when considering climate risk. The 2021 paper covered six supervisory areas: role of supervisor; corporate governance; risk management and internal controls; enterprise risk management for solvency purposes; investments; and public disclosures.

In September 2021, the IAIS issued the GIMAR 2021 special topic edition on climate risks.<sup>35</sup> This initial report focused on insurers' assets and drew on quantitative and qualitative data gathered on a standalone, voluntary data call from 32 IAIS Members. This initial IAIS analysis faced certain methodological, analytical, and data challenges, such as the lack of a globally consistent taxonomy and a globally accepted framework for measuring climate-related risks. The IAIS quantitative data analysis relied on scenario analysis developed by the Network for Greening the Financial System (NGFS). In addition, the IAIS noted that there were substantial data gaps and a lack of consistency and quality of the submitted data.

During the same month, the IAIS established the CRSG to coordinate IAIS work on climate risk. The CRSG set up three dedicated workstreams to develop a gap analysis of IAIS' global standards for insurance supervision, develop educational materials for supervisors on effective practices in developing insurance-sector climate scenario analysis, and integrating climate-related financial risks into the Holistic Framework annual Global Monitoring Exercise data collection.

<sup>31</sup> IAIS, "Application Paper on the Supervision Climate-related Risks in the Insurance Sector," <https://www.iaisweb.org/uploads/2022/01/210525-Application-Paper-on-the-Supervision-of-Climate-related-Risks-in-the-Insurance-Sector.pdf>.

<sup>32</sup> IAIS, "Global Insurance Market Report-Special Topic Edition: The Impact of Climate Change on the Financial Stability of the Insurance Sector," <https://www.iaisweb.org/uploads/2022/01/210930-GIMAR-special-topic-edition-climate-change.pdf>.

<sup>33</sup> IAIS, "IAIS Commitment to Amplify Response to Climate Change," [https://www.iaisweb.org/uploads/2022/01/211028-IAIS-Statement\\_Commitment-to-amplify-response-to-climate-change\\_October-2021.pdf](https://www.iaisweb.org/uploads/2022/01/211028-IAIS-Statement_Commitment-to-amplify-response-to-climate-change_October-2021.pdf).

<sup>34</sup> BIS, "International Financial Organisations Unite with the Central Bank and Financial Supervisory Community to Launch the Central Banks' and Supervisors' Climate Training Alliance (CTA) ahead of COP26," <https://www.bis.org/press/p210709a.htm>.

<sup>35</sup> IAIS, "Global Insurance Market Report, GIMAR Special Topic Editions, The Impact of Climate Change on the Financial Stability of the Insurance Sector," <https://www.iaisweb.org/uploads/2022/01/210930-GIMAR-special-topic-edition-climate-change.pdf>.

In October 2021, the IAIS issued a statement in advance of the 2021 United Nations Climate Change Conference (commonly referred to as COP26) confirming its commitment to advance work addressing the risks and opportunities associated with climate change and supporting an orderly transition to net-zero and global initiatives. The IAIS also worked with other organizations (Financial Stability Institute, NGFS and SIF) to launch the Climate Training Alliance e-learning portal, which is a web portal that provides a range of climate risk training resources for central banks and supervisors responding to climate risks.

## ICS

The IAIS is developing the ICS, a risk-based global insurance capital standard for internationally active insurance groups (IAIGs), which will represent the quantitative component of the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame).<sup>36</sup> The ICS aims to provide a comparable measure of group solvency, facilitating a common understanding of IAIG capital adequacy that is expected to enhance cooperation and coordination among supervisors around the world. As a groupwide, consolidated approach, the ICS is planned to be adopted by the IAIS as a prescribed capital requirement for IAIGs at the end of the monitoring period in 2024.<sup>37</sup>

The IAIS's ultimate goal is a single ICS that includes a common methodology through which the ICS achieves comparable outcomes across jurisdictions. In reaching that objective, the IAIS will make certain key decisions during the monitoring period on whether other approaches will be part of the final structure 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 in its final form.

The IAIS continued confidential reporting of the ICS for the second year of the monitoring period in 2021. Although the effects of COVID-19 were still evident in 2021 with ongoing travel restrictions, the IAIS was able to return to normal ICS reporting deadlines and obtain more feedback from supervisory colleges on the performance of the ICS and any additional reporting allowed by groupwide supervisors. In 2021, 42 insurance groups from around the world participated in the ICS confidential reporting exercise, seven of which were from the United States. For the second year, IAIS members—not able to access ICS data due to the travel restrictions—had to rely on highly aggregated analysis provided by the IAIS secretariat, preventing them from effectively analyzing and addressing ICS' critical flaws.

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<sup>36</sup> ComFrame, adopted in November 2019, establishes supervisory standards and guidance focusing on the effective groupwide supervision of IAIGs. IAIS, "Frequently Asked Questions: IAIS Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame)," <https://www.iaisweb.org/uploads/2022/01/191120-ComFrame-Frequently-Asked-Questions.pdf>.

<sup>37</sup> See IAIS, *Risk-Based Global Insurance Capital Standard Version 2.0 (Public Consultation Document)*, <https://www.iaisweb.org/uploads/2022/01/180731-ICS-Version-2.0-Public-Consultation-Documents.pdf>.

While the ICS monitoring period is intended to be a period of stability, where the overall structure remains unchanged to allow for monitoring the performance of the ICS, the IAIS is not prevented from correcting major flaws or unintended consequences. The IAIS made changes to the ICS design in 2021, addressing a limited number of concerns identified in the 2020 ICS results. It is the position of U.S. members that the ICS methodology continues to be unaligned with U.S. markets, business practices, and products and contains major flaws, including related to calibration, that must be addressed prior to the end of the monitoring period. The Federal Reserve and FIO have concerns with the ability to address these flaws and still produce a credible global standard in the time remaining.

In fulfilling its mandate to recommend whether the IAIS should pursue a differentiated capital treatment under the ICS for infrastructure and/or strategic equity investments, the Infrastructure Task Force (ITF) made further progress in 2021. ITF members refined the definitions and criteria for eligible investments in 2021, drawing on feedback received from the surveys issued to the public and groupwide supervisors as well as from data collected in the 2021 ICS confidential reporting submissions from volunteers. In addition to undertaking analyses of relevant studies, the ITF engaged with groups of stakeholders with specific subject matter expertise, including credit rating agencies, academia, supervisors, and international organizations, to further determine the appropriateness of applying a differentiated capital treatment to these types of investments.

FIO and the Federal Reserve will continue to engage with the IAIS to better reflect U.S. insurance practices and markets in the ICS framework, also endeavoring to inform both the public consultation of the ICS as a prescribed capital requirement and the economic impact assessment planned for later in the monitoring period. Team USA continues to advocate for an ICS that is appropriate for the United States.

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>38</sup> Treasury and the Federal Reserve consider that, in order for any form of an ICS to be considered a global standard, it must be appropriate for the U.S. insurance market.

### **Aggregation Method**

The United States, along with other interested jurisdictions, is developing an Aggregation Method (AM) that builds on existing jurisdictional capital regimes. The AM is being developed with the aim for it to be considered an outcome-equivalent approach for implementation of the ICS as a prescribed capital requirement. The IAIS has agreed to conduct an assessment to determine whether the AM produces comparable outcomes to the ICS prior to the end of the monitoring period.

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<sup>38</sup> Act § 211(c)(3)(A), 31 U.S.C. § 313 note.

In 2021, the United States and other interested jurisdictions continued developing the AM. The IAIS continued working on the comparability assessment criteria, having finalized the definition of comparable outcomes and high-level principles that guide the development of the criteria in May 2021. The public consultation on the criteria was delayed until 2022. The timing to determine whether the AM will be considered an outcome-equivalent approach by the end of the monitoring period, however, remains on track. As with the ICS work, FIO and the Federal Reserve will continue to take an active part in the ongoing comparability discussions at the IAIS.

### **Holistic Framework and Macroprudential Work**

In 2021, the IAIS, for the first time, completed the Global Monitoring Exercise (GME), covering two years of data.<sup>39</sup> The GME is a risk assessment framework to monitor key risks and trends and to detect the potential build-up of systemic risk in the global insurance sector. The IAIS held collective discussions on the outcome of the GME, based on a defined scope of individual insurers and three sectorwide macroprudential themes, which were identified as supervisory priorities: (1) low-yield environment and private-equity ownership, (2) credit risk, and (3) cyber risk. Findings from the 2021 GME showed that, on aggregate, insurers' solvency ratios remained below their pre-COVID levels with uncertainties and vulnerabilities remaining. In 2021, the IAIS continued to develop metrics to monitor the global insurance industry's liquidity position. On November 18, 2021, the IAIS published for public comment a draft paper on the second phase of the project that explores other liquidity metrics.<sup>40</sup> This draft includes a company projection approach that utilizes insurers' projections of cash flows to assess liquidity risk. The metrics being developed would not be a requirement or have the potential to result in any identification of an insurer as systemically important. Instead, they would help the IAIS form a comprehensive assessment about the potential build-up of systemic risk in the insurance sector.

### **Assessment Work**

Throughout 2021, the IAIS continued its pivot from the development of standards to supporting the implementation and assessment of implementation of standards. The IAIS also continued its assessment of insurance supervisors' implementation of the Holistic Framework supervisory material. This assessment builds on existing IAIS assessment methodologies to promote globally consistent and effective implementation of the Holistic Framework supervisory material. As agreed in 2020, the IAIS started the second phase of the implementation assessment, Targeted Jurisdictional Assessments of the Holistic Framework (TJA), scheduled to end in 2022, which featured more intensive assessments by the IAIS of implementation of the Holistic Framework supervisory material.

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<sup>39</sup> IAIS, *Global Insurance Market Report [GIMAR]* (November 2021), <https://www.iaisweb.org/uploads/2022/01/211130-IAIS-GIMAR-2021.pdf>.

<sup>40</sup> IAIS, *Development of Liquidity Metrics: Phase 2 – Development of Liquidity Metrics (Public Consultation Document)* (Basel: IAIS, November 2021), <https://www.iaisweb.org/2021/11/public-consultation-on-the-development-of-liquidity-metrics-phase-2/>.

The TJA project started in March 2021 for 10 participating jurisdictions: Canada, China, Hong Kong SAR, France, Germany, the Netherlands, Japan, Switzerland, the United Kingdom, and the United States.

On-site jurisdiction visits began during Q4:2021, to be followed by drafting the individual assessment report for each jurisdiction. The reports will act as the basis for an aggregate report on the implementation of the Holistic Framework, which itself will form a central part of the Comprehensive report to the FSB on the overall state of implementation of the Holistic Framework.

### **Diversity, Equity, and Inclusion**

In 2021, the IAIS “intensified its work and focus on issues of Diversity, Equity and Inclusion (DE&I) in the insurance sector.”<sup>41</sup> The IAIS released a statement in November 2021 underscoring the importance of DE&I considerations in insurance supervision.<sup>42</sup> The statement explained how DE&I “touched on several strategic themes identified in the IAIS Strategic Plan” for 2020-24 and committed the IAIS to prioritizing DE&I work. The IAIS also asserted, in the same statement, that it was committed to strengthening and deepening its DE&I work through

- undertaking exploratory work on the insurance sector’s efforts and steps taken by supervisors in support of DE&I objectives, including via engagement with stakeholders;
- incorporating relevant DE&I aspects into ongoing IAIS projects and activities, in particular, those related to corporate governance, culture, and conduct; and
- exploring opportunities to cooperate with other international organizations and partners, such as the IAIS’s implementation partner, the Access to Insurance Initiative (A2ii), to encourage supervisory dialogue and sharing of good practices.

Finally, the statement highlighted that the IAIS itself “operates as a global, inclusive organisation with Members from more than 200 jurisdictions, over 60 [percent] of which are from emerging markets and developing economies.” The statement concluded that “the IAIS will also be taking actions to further build DE&I into its own internal governance and processes.”

Also in 2021, the IAIS created the Financial Inclusion Forum, replacing the former Financial Inclusion Working Group. This forum, jointly coordinated by the IAIS and A2ii, focused in 2021 on the impact of the COVID-19 pandemic on inclusive insurance, digitalization, and consumer protection.<sup>43</sup>

<sup>41</sup> IAIS, *Newsletter* (November 2021), <https://www.iaisweb.org/uploads/2022/01/211201-IAIS-Newsletter-November-2021.pdf>.

<sup>42</sup> IAIS, *Statement: The Importance of Diversity, Equity and Inclusion (DE&I) Considerations in Insurance Supervision* (November 16, 2021), <https://www.iaisweb.org/uploads/2022/01/211116-IAIS-Statement-on-Diversity-Equity-and-Inclusion.pdf>.

<sup>43</sup> IAIS, “Financial Inclusion,” <https://www.iaisweb.org/activities-topics/financial-inclusion/>, last visited on April 8, 2022.

## Other IAIS Activity

### Monitoring and Responding to the Effects of the COVID-19 Pandemic

During 2021, the IAIS held all meetings virtually and discussed processes and procedures of future in-person and hybrid events with expectations of a return to on-site activities some time in 2022. For the IAIS 2021-22 Roadmap, the association established an underlying theme of the leadership role insurers, supported by supervisors, have to play in the recovery from the COVID-19 pandemic.<sup>44</sup> The IAIS also planned ongoing assessment of potential vulnerabilities arising from the impact of COVID-19 and the sharing of good supervisory practices.<sup>45</sup> On April 9, 2021, the IAIS with the Financial Stability Institute published a joint note that examines measures taken by insurance supervisors to help them adapt to remote working and accelerated digitalization demands during the COVID-19 crisis.<sup>46</sup>

### Cyber Risk and IT Third-Party Outsourcing

The IAIS committed in 2021 to developing supervisory supporting guidance and material in the field of operational resilience, specifically on information technology (IT) third-party outsourcing and insurance sector cyber resilience and having the Operational Resilience Task Force (ORTF) look at integrating lessons on ensuring business continuity (over an extended period) into supervisory guidance.<sup>47</sup> In addition, the IAIS also actively engaged in the FSB's work on cyber resilience, participating on the FSB's Cyber Incident Reporting Working Group. The IAIS has also provided input to the FSB's work on outsourcing and third-party relationships.<sup>48</sup>

### Published Supervisory Material

In June 2021, the IAIS published an application paper on resolution powers and planning providing guidance for supervisors and resolution authorities in implementing a resolution framework and an application paper on supervision of control functions providing best practices.<sup>49</sup> In November, the IAIS published three papers: (1) an issue paper exploring the topic of insurer culture, (2) an application paper describing the processes and practices related to the establishment and functioning of supervisory colleges, and (3) an application paper on combating money laundering and terrorist financing, providing information and advice on how money laundering and terrorist financing can

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<sup>44</sup> IAIS, *Newsletter* (January 2021), <https://www.iaisweb.org/uploads/2022/01/210201-IAIS-Newsletter-January-2021.pdf>.

<sup>45</sup> IAIS, *The IAIS Strategic Plan 2020-2024* (June 2019), <https://iaisweb.org/uploads/2022/01/190613-2020-2024-Strategic-Plan.pdf>.

<sup>46</sup> IAIS, *Redefining Insurance Supervision for the New Normal* (April 2021), <https://www.iaisweb.org/uploads/2022/01/210409-IAIS-FSI-Note-on-redefining-insurance-supervision-for-the-new-normal.pdf>.

<sup>47</sup> IAIS, *2021-2022 IAIS Public Road Map* (February 23, 2021), <https://www.iaisweb.org/uploads/2022/01/210223-2021-2022-IAIS-Public-Roadmap.pdf>.

<sup>48</sup> IAIS, *Newsletter* (June 2021), <https://www.iaisweb.org/uploads/2022/01/210706-IAIS-Newsletter-June-2021.pdf>.

<sup>49</sup> IAIS, *Application Paper on Resolution Powers and Planning* (Basel: IAIS, June 2021), <https://www.iaisweb.org/uploads/2022/01/210623-Application-Paper-on-Resolution-Powers-and-Planning.pdf>, and *Application Paper on Supervision of Control Functions*, <https://www.iaisweb.org/uploads/2022/01/210623-Application-Paper-on-Supervision-of-Control-Functions1.pdf>.



occur within the life insurance sector and on which measures could mitigate the associated risks.<sup>50</sup>

## A2ii

In November 2021, the IAIS and the A2ii signed and published a partnership agreement, formalizing the long-standing working relationship and confirming their mutual commitment to supporting each other's work through a variety of activities.<sup>51</sup>

## FSB Cross-Border Resolution

The FSB oversees some insurance resolution-planning work through the CrossBorder Crisis Management Group for Insurers (iCBCM).<sup>52</sup> The FSB's iCBCM assists and supports regulatory authorities in the development and implementation of resolution-related policy measures for global systemically important insurers (G-SIIs). Specifically, the iCBCM works under the direction of the FSB's Resolution Steering Group and in coordination with the IAIS's Resolution Working Group, to develop guidance for resolution powers and tools regarding G-SIIs as well as addressing issues relating to their application.<sup>53</sup> Both FIO and the Federal Reserve are members of the iCBCM.

In December 2021 the FSB issued its tenth report on the implementation of resolution reforms, which was informed by results of the fourth annual resolvability monitoring survey undertaken by the iCBCM.<sup>54</sup> The report noted mixed progress on resolution planning for systemic insurers, and additional progress on implementation of the Key Attributes for Insurers.<sup>55</sup> Further, the FSB noted that it will review the scope of application of G-SII-specific requirements in the Key Attributes in consultation with the IAIS in light of the potential discontinuation of the G-SII designation process in late 2022; FIO and the Federal Reserve are engaged in this work. The iCBCM also engaged in the mapping and assessment of interconnectedness as it affects resolution, and the identification of funding sources in resolution.

<sup>50</sup> IAIS, *Issues Paper on Insurer Culture* (Basel: IAIS, November 2021), <https://www.iaisweb.org/uploads/2022/01/211111-Issues-Paper-on-Insurer-Culture.pdf>; *Application Paper on Supervisory Colleges*, <https://www.iaisweb.org/uploads/2022/01/211111-Application-Paper-on-Supervisory-Colleges.pdf>; and *Application Paper on Combatting Money Laundering and Terrorist Financing*, <https://www.iaisweb.org/uploads/2022/01/211111-Application-Paper-on-Combating-Money-Laundering-and-Terrorist-Financing.pdf>.

<sup>51</sup> IAIS, "Partnership Agreement between the International Association of Insurance Supervisors and the Access to Insurance Initiative," <https://www.iaisweb.org/uploads/2022/01/211122-IAIS-A2ii-Partnership-Agreement.pdf>.

<sup>52</sup> 2019 Fed-FIO Annual Report.

<sup>53</sup> FSB, *FSB 2019 Resolution Report: Mind the Gap* (Basel: FSB, November 2019), <https://www.fsb.org/wp-content/uploads/P141119-3.pdf>, 16.

<sup>54</sup> FSB, *FSB 2021 Resolution Report: Glass Half-Full, or Still Half-Empty?* (Basel: FSB, December 2021), <https://www.fsb.org/wp-content/uploads/P071221.pdf>, 18.

<sup>55</sup> FSB, *Key Attributes of Effective Resolution Regimes for Financial Institutions* (Basel: FSB, October 2014), [https://www.fsb.org/wp-content/uploads/r\\_141015.pdf](https://www.fsb.org/wp-content/uploads/r_141015.pdf).

# Transparency Efforts at the IAIS and the FSB

FIO and the Federal Reserve promote efforts to increase transparency at the IAIS and the FSB, including as described below in this section. In addition, FIO enhances transparency by engaging with stakeholders through the FACI, which provides non-binding advice and recommendations to FIO. At each FACI meeting, the FIO Director typically delivers a public update on both domestic and international activities of FIO.<sup>56</sup> The Federal Reserve performs a similar function through the IPAC.

## IAIS Transparency Efforts

Under its bylaws, the IAIS undertakes to “operate in an open and transparent manner.”<sup>57</sup> Among other ways, it seeks to accomplish this through a range of engagement opportunities as outlined in the 2017 IAIS Stakeholder Engagement Plan,<sup>58</sup> such as its annual conference, which is open to all stakeholders and to the general public.<sup>59</sup>

The key means by which IAIS engages with stakeholders and the public is through its various and wide-ranging stakeholder consultations and events, through which the work of its committees and working groups is shared with the public while under development, providing stakeholders and the public with opportunities to comment and share input on the work. Development of all IAIS supervisory and supporting material incorporates public consultation.

In general, such consultation, at a minimum, consists of the following components:<sup>60</sup>

- launch of public consultation, that is, a public session providing background on the project and the specific issues for which the IAIS is seeking targeted input.
- publication of comments received through the public consultation process, noting the resolution of or response to them after consideration by the relevant working group or committee.
- publication and presentation of the final version of the supervisory or supporting material, through a public discussion session at which the outcome of the public consultation is discussed.

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<sup>56</sup> Additional information regarding FACI, including links to videos of past meetings, is available on FIO’s website at <https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/federal-advisory-committee-on-insurance-faci>.

<sup>57</sup> See “IAIS By-Laws,” Art. 2(3).

<sup>58</sup> IAIS, *2017 Annual Report*, 10 (referencing the “commitments contained in the IAIS Stakeholder Engagement Plan”).

<sup>59</sup> IAIS, *Stakeholder Engagement Plan*, <https://www.iaisweb.org/uploads/2022/01/IAIS-Stakeholder-Engagement-Plan-2017.pdf?msclkid=fb737296d0ae11ecbe148156d5aa9f53>, section I(J).

<sup>60</sup> IAIS, “Closed Consultations,” <https://www.iaisweb.org/consultations/>.

- some projects include multiple consultations prior to publication, which may consist of surveys, information sessions, and targeted interactions with relevant stakeholders (for example, expert round table meetings).

Table 2 provides a compilation of IAIS public consultations during 2021. During 2021 the IAIS continued operating without in-person sessions and instead made use of alternatives, primarily video-

Table 2. IAIS stakeholder consultations, meetings, and other public events in 2021	
Date	Consultations and meetings
January 25, 2021	Draft Application Paper on Supervision of Control Functions, and Questions for Application Paper on Supervision of Control Functions
January 29, 2021	IAIS Comment Letter to IAASB Consultation on Fraud and Going Concern
February 10, 2021	Public Session on activities of the Governance Working Group, addressing Issues Paper on Insurer Culture and Application Paper on Supervision of Control Functions
March 8, 2021	Draft Application Paper on Macroprudential Supervision
March 23, 2021	Public Information Session on Draft Application Paper on Macroprudential Supervision
May 3, 2021	Compiled Comments on the Comparability Public Consultation; and Summary and Resolution of Comments for the Comparability Public Consultation
May 17, 2021	Revised Application Paper on Combating Money Laundering and Terrorist Financing
May 25, 2021	Resolution of Consultation Comments on Application Paper on the Supervision of Climate-related Risks
June 2, 2021	Public Background Session on revised Application Paper on Combating Money Laundering and Terrorist Financing.
June 9, 2021	Webinar on Climate-related risks in the insurance sector
June 23, 2021	Draft Issues Paper on Insurer Culture, and Questions for Draft Issues Paper on Insurer Culture
June 23, 2021	Draft Revised Application Paper on Supervisory Colleges, and Questions for Draft Revised Application Paper on Supervisory Colleges
June 23, 2021	Resolution of Public Consultation Comments on Application Paper on Supervision of Control Functions
June 23, 2021	Resolution of Public Consultation Comments on Application Paper on Resolution Powers and Planning
June 23, 2021	IAIS Global Seminar
June 24, 2021	Chief Risk Officer Roundtable
June 30, 2021	Stakeholder Session, for presentation and discussion of the June 23, 2021, materials noted above
June 30, 2021	Liquidity Metrics Phase 1 – Resolution of Comments
July 5, 2021	Questions and Answers covered at the IAIS Global Seminar 2021
August 30, 2021	Resolution of Consultation Comments on Application Paper on Macroprudential Supervision
September 6, 2021	Presentation on Application Paper on Macroprudential Supervision, including public discussion session
November 11, 2021	Resolution of Consultation Comments on Issues Paper on Insurer Culture
November 11, 2021	Resolution of Consultation Comments on Application Paper on Supervisory Colleges
November 11, 2010	Resolution of Consultation Comments on Application Paper on Combating Money Laundering and Terrorist Financing
November 16 – 18, 2021	IAIS Annual General Meeting and Annual Conference (virtual) <sup>1</sup>
November 18, 2021	Public Consultation on the Development of Liquidity Metrics: Phase 2, including questions for written comment
November 30, 2021	Public background session – Liquidity Metrics: Phase 2

<sup>1</sup> IAIS, “2021 Annual Conference,” <https://www.iaisweb.org/news-and-events/2021-annual-conference> (agenda & videos). Source: IAIS, “Stakeholder Events,” <https://www.iaisweb.org/news-and-events/stakeholder-events>; “Closed Consultations,” <https://www.iaisweb.org/consultations>.

conferences. Team USA continued to be engaged in all IAIS workstreams during 2021, with members thereof chairing many of them.

During 2021, the IAIS expanded the content of its public newsletters<sup>61</sup> and began a revamp of its website to improve accessibility of IAIS material.<sup>62</sup> The IAIS Secretary General has continued to participate in relevant events, including the May 2021 International Insurance Forum organized by the NAIC.<sup>63</sup> Team USA members will advocate for continued transparency by the IAIS and will continue to consult among themselves and with U.S. stakeholders in support of such efforts.

Finally, with increased emphasis on “hybrid” collaboration perhaps becoming a global norm, it is notable, that in June 2021, the IAIS Executive Committee, emphasizing that transparent and inclusive collaboration are essential to the way in which the IAIS progresses its work, approved a framework “that considers the benefits of in-person meetings, particularly the social capital built by groups being able to meet in-person, tempered with the recognition that meetings might still be difficult for some.”<sup>64</sup> The Executive Committee also noted its commitment in terms of the Environmental Policy of the IAIS to reduce the amount of travel for in-person meetings over time.<sup>65</sup>

## FSB Transparency Efforts

Treasury and the Federal Reserve have also worked to increase transparency at the FSB, including through the Federal Reserve’s leadership role in the FSB. From December 2, 2018, to December 2, 2021, former Federal Reserve Governor and Vice Chair for Supervision, Randal K. Quarles, served as FSB Chair, and during that period he made increasing FSB transparency and stakeholder engagement a key part of that body’s agenda. Partially as a reflection of those efforts, for example, in 2019, for the first time in its history, the FSB publicly disseminated its comprehensive work program. The FSB has continued to do so, and its work program was again published in both 2020 and 2021.

The Federal Reserve and Treasury also have advocated for increased transparency on IAIS matters at the FSB. This includes engagement by the Federal Reserve and Treasury at both the IAIS and FSB in support of a public consultation as part of the FSB’s planned 2022 review of G-SII designations. To accommodate this public consultation after the delays in implementation of the Holistic

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<sup>61</sup> IAIS, “News and Events,” <https://www.iaisweb.org/news-and-events/newsletter/>.

<sup>62</sup> IAIS, “IAIS Introduces Refreshed Visual Identity and Upgraded Website,” news release, March 3, 2022, <https://www.iaisweb.org/2022/03/iais-introduces-refreshed-visual-identity-and-upgraded-website/>.

<sup>63</sup> NAIC, “Resource Center Newsroom,” <https://content.naic.org/article/naics-2021-international-insurance-forum-starts-todaymore-500-scheduled-attend>.

<sup>64</sup> IAIS, “IAIS Concludes Mid-Year Committee and Stakeholder Meetings, Noting Solid Progress In Delivering on the IAIS Strategy 2020-2024 and Sharing Key Learnings from the COVID-19 Crisis,” news release, June 28, 2021, <https://www.iaisweb.org/uploads/2022/01/210628-IAIS-concludes-mid-year-Committee-and-Stakeholder-Meetings.pdf>.

<sup>65</sup> IAIS, *IAIS Environmental Policy* (Basel: IAIS, December 2020), <https://www.iaisweb.org/uploads/2022/01/201202-IAIS-Environmental-Policy.pdf>.

Framework due to COVID-19, the Federal Reserve and Treasury have suggested postponing this review until 2023.

## 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 had four subcommittees in 2021, which prepared draft recommendations for FACI's consideration.<sup>66</sup> The Subcommittee on FIO's International Work presented a draft recommendation related to international market access to FACI at the February 2021 meeting. FACI continued discussion on a white paper addressing key market access challenges for international insurers, which elaborated on the proposed recommendations.<sup>67</sup>

Following discussion, FACI adopted the following recommendation:<sup>68</sup>

- FIO should advocate for Treasury and the Office of the U.S. Trade Representative to pursue actions to ensure financial services are not exempt from commitments in trade agreements that promote the free flow of data consistent with consumer data privacy and protection. Such trade agreements should prevent unwarranted data localization, recognizing that such commitments do not restrict a government's right to adopt or maintain measures to protect personal data, personal privacy and the confidentiality of individual records and accounts, provided that such measures are not used to circumvent the data flow and localization commitments.

FACI also heard a dissenting view on the recommendation.<sup>69</sup> The adopted recommendation was taken into consideration by FIO and helped inform Treasury's position on a variety of market access topics.

## Insurance Policy Advisory Committee

In 2021, the IPAC, which was established by Congress in 2018 through the Act, advised the Federal Reserve primarily on capital standards and the impact of low interest rates and COVID-19 on the industry.<sup>70</sup> The IPAC has been studying any impact of a hypothetical adoption of the IAIS ICS

<sup>66</sup> FACI disbanded two of its subcommittees in 2021. The Subcommittee on COVID-19 was disbanded in September 2021 and the Subcommittee Addressing the Protection Gap was disbanded in December 2021.

<sup>67</sup> FACI International Subcommittee, "Market Access/Level Playing Field: Key Challenges for International Insurers," (2021), <https://home.treasury.gov/system/files/311/faci-white-paper-market-access-12-20.pdf>.

<sup>68</sup> FACI, "Minutes – 18 February 2021," 6, <https://home.treasury.gov/system/files/311/FACI-Minutes-2-21.pdf>. See also, Treasury, "FACI Recommendations," <https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/federal-advisory-committee-on-insurance-faci/faci-recommendations>.

<sup>69</sup> Center for Economic Justice, "Dissenting View of Birny Birnbaum, FACI International Subcommittee Recommendations," <https://home.treasury.gov/system/files/311/FACI-Dissent-Birnbaum-2-21.pdf>.

<sup>70</sup> See Act § 211(b), 31 U.S.C. § 313 note (establishing the Insurance Policy Advisory Committee).

on the U.S. industry, markets, and consumers. The IPAC provided information on how a long period of low interest rates affects U.S. life insurance and retirement security.<sup>71</sup>

The Federal Reserve also solicited applications for seven IPAC members.<sup>72</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>73</sup> In 2021, the Federal Reserve reappointed one of the inaugural IPAC members, who had served an initial two-year term, and appointed six new IPAC members.<sup>74</sup> These IPAC members will serve three-year terms commencing in January 2022. The Federal Reserve continues to build a diverse IPAC membership.

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<sup>71</sup> Federal Reserve, “Records of the Meetings of the Insurance Policy Advisory Committee” (2021), <https://www.federalreserve.gov/aboutthefed/ipac.htm>.

<sup>72</sup> Solicitation of Statements of Interest for Membership on the Insurance Policy Advisory Committee, 86 Fed. Reg. 42,828 (August 5, 2021), <https://www.federalregister.gov/documents/2021/08/05/2021-16669/solicitation-of-statements-of-interest-for-membership-on-the-insurance-policy-advisory-committee>.

<sup>73</sup> Act § 211(b)(2). See also 31 U.S.C. § 313 note.

<sup>74</sup> Board of Governors of the Federal Reserve System, “Federal Reserve Board Announces members of its Insurance Policy Advisory Committee,” news release, November 24, 2021, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20211124a.htm>.

## Conclusion

In 2021, 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 will 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.



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