



REPORT TO CONGRESS

Engagement in Global Insurance Regulatory or Supervisory Forums in 2020

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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”;¹ 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 third annual report follows the same format as the prior two.² This report covers activities and developments during calendar year 2020. 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 (specifically, the Federal Insurance Office or FIO) in global insurance

¹ 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.

² 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://home.treasury.gov/system/files/311/Treasury_FRB_Report_2019.pdf.

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.³

In the subsection “[IAIS Activities](#),” the report outlines key international insurance standard-setting initiatives in 2020, 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), 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).⁴ 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.⁵ 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.⁶

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, is 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 operational unless implemented through the relevant state or federal legislative or administrative process, as appropriate.

³ 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.

⁴ 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.

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

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

This report discusses topics that are also discussed in the 2018 *Transparency Report* as well as in FIO's 2020 and 2021 annual reports.⁷ These annual reports include detailed descriptions of FIO's international and domestic activities in the first half and second half of 2020, respectively. 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.⁸

⁷ 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>.

⁸ "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.⁹ 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.¹⁰ 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.¹¹ 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.”¹² In their international engagement on insurance issues, FIO and the Federal Reserve 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 supervision of the insurance sector.¹³ The IAIS also serves as a forum for members to exchange

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

¹⁰ See, e.g., *2018 Fed-FIO Annual Report*; Treasury.

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

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

¹³ See, e.g., IAIS, *2019 IAIS Annual Report* (Basel: IAIS, 2020), 5, <https://www.iaisweb.org/page/about-the-iais/annual-report/file/93662/2019-annual-report>.

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.¹⁴

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.”¹⁵

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 decision-making body of the IAIS; (3) the Policy Development Committee, which is responsible for standard-setting activities; (4) the Macroprudential 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.¹⁶ The IAIS also has an Audit and Risk Committee and a Budget Committee.¹⁷

Multiple working groups and task forces, focused on a range of prudential regulation and market supervision topics, report to these committees.¹⁸ 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 2020.¹⁹ FIO, the Federal Reserve, and the states are represented on the IAIS Executive Committee.

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

¹⁴ 2019 IAIS Annual Report, 5. See also IAIS, *IAIS Organisation Members* (July 2, 2021), <https://www.iaisweb.org/list/iaismembers>.

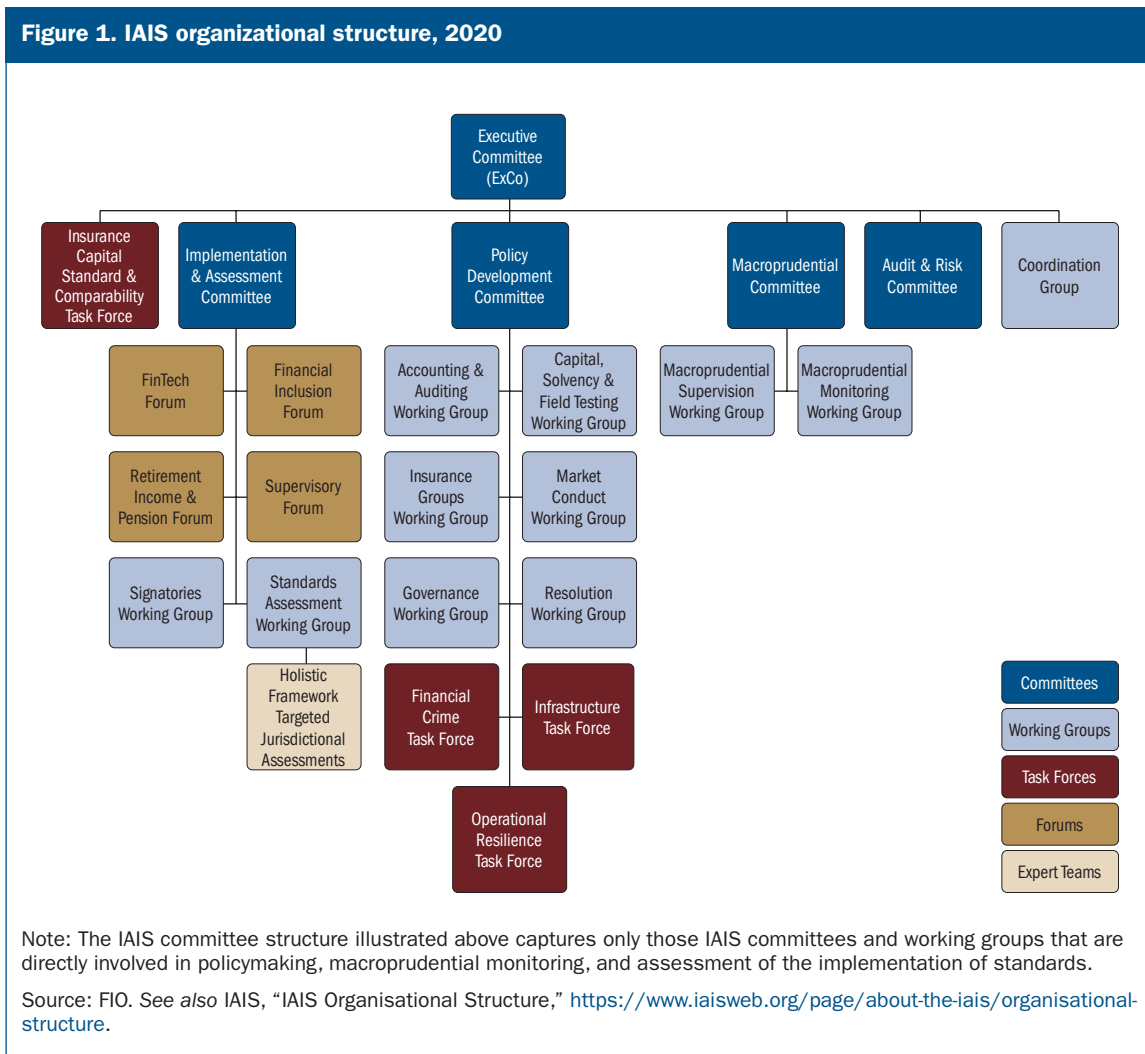
¹⁵ IAIS, *2017 IAIS Annual Report* (Basel: IAIS, November 2018), 10, <https://www.iaisweb.org/page/about-the-iais/annual-report/file/77857/iais-ar-2017-digital-pdf-def-dp>.

¹⁶ See, e.g., IAIS, “IAIS By-Laws,” <https://www.iaisweb.org/page/about-the-iais/by-laws/file/74644/2017-by-laws>; IAIS, “IAIS Organisational Structure,” <https://www.iaisweb.org/page/about-the-iais/organisational-structure>.

¹⁷ 2019 IAIS Annual Report, 9.

¹⁸ 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, “IAIS Organisational Structure,” <https://www.iaisweb.org/page/about-the-iais/organisational-structure>.

¹⁹ Based on “IAIS Organisational Structure,” <https://www.iaisweb.org/page/about-the-iais/organisational-structure> (does not include all workstreams and expert teams).



regulatory, supervisory and other financial sector policies.”²⁰ 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.²¹

The FSB’s membership consists of 71 institutions from 24 jurisdictions and 13 international organizations and standard-setting bodies, including the IAIS.²² Treasury, the Federal Reserve, and the

²⁰ See *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/>.

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

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

Securities and Exchange Commission are the FSB's U.S. members.²³ In 2020, the FSB Chair was Randal K. Quarles.²⁴

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.”²⁵ 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 of this report); and the G-20/OECD Principles of Corporate Governance.²⁶

OECD Overview

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. Delegates 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. Typically, these instruments are non-legally binding recommendations and declarations. Since 1961, the IPPC has helped develop 22 of these legal instruments, eight of which remain in force as non-legally binding recommendations.²⁷ [Table 1](#) shows the in-force recommendations developed and adopted by the IPPC. In 2020, the IPPC developed and adopted, together with the Committee on Financial Markets, recommendations on financial literacy, replacing 2008-09 recommendations on financial education.²⁸

²³ FSB, *5th Annual Report 1 April 2017–31 March 2018* (Basel: FSB, December 2018), 37, <https://www.fsb.org/wp-content/uploads/PO11218.pdf>.

²⁴ FSB, “Organisational Structure and Governance,” <https://www.fsb.org/about/organisation-and-governance/>.

²⁵ FSB, “The Compendium of Standards,” https://www.fsb.org/work-of-the-fsb/about-the-compendium-of-standards/key_standards/.

²⁶ FSB, “Key Standards for Sound Financial Systems,” https://www.fsb.org/work-of-the-fsb/about-the-compendium-of-standards/key_standards/.

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

²⁸ OECD, “Recommendation of the Council on Financial Literacy” (adopted October 29, 2020), <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0461>.

Table 1. OECD in-force insurance-related recommendations from IPPC	
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," https://legalinstruments.oecd.org/en/instruments?mode=advanced&committeeds=1651&dateType=adoption .	

In 2020, the IPPC contributed to a number of OECD publications, including analyses of artificial intelligence,²⁹ long-term care and healthcare insurance,³⁰ the COVID-19 pandemic,³¹ and the insurance market.³² Over the next few years, it is expected that the IPPC will continue to address issues relating to the COVID-19 pandemic, long-term care insurance, disaster risk management and financing, digitalization and innovation, cyber insurance, and insurance regulatory practices. 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.

IAIS Activities

The key "issues under discussion" at the IAIS include issues related to (1) COVID-19, (2) climate risk, (3) ICS, (4) other IAIS macroprudential work, (5) assessments of jurisdictions against IAIS standards, and (6) other IAIS work, such as the development of guidance and other written materials. Much of the work described below is ongoing and is expected to continue through 2021 and beyond.

²⁹ OECD, *The Impact of Big Data and Artificial Intelligence (AI) in the Insurance Sector* (January 28, 2020), <https://www.oecd.org/finance/ImpactBigDataAIintheInsuranceSector.htm>.

³⁰ OECD, *Long Term Care and Healthcare Insurance in OECD and Other Countries* (February 10, 2020), <https://www.oecd.org/finance/insurance/LongTermCareHealthCareInsuranceinOECDandOtherCountries.htm>.

³¹ OECD, *Initial Assessment of Insurance Coverage and Gaps for Tackling COVID19 Impacts* (April 2020), <https://www.oecd.org/finance/insurance/InitialassessmentofinsurancecoverageandgapsfortacklingCOVID19impacts.pdf>; OECD, *Responding to the COVID19 and Pandemic Protection Gap* (May 28, 2020), <https://www.oecd.org/coronavirus/policyresponses/respondingtothecovid19andpandemicprotectiongapininsurance35e74736/>.

³² OECD, *Insurance Markets in Figures* (Paris: June 2020), <https://www.oecd.org/daf/fin/insurance/InsuranceMarketsinFigures2020.pdf>; see also OECD, *Leveraging the Role of Property Catastrophe Reinsurance Markets: The Case of India, Indonesia, Myanmar, and the Philippines* (Paris: October 2020), <https://www.oecd.org/finance/insurance/leveraging-the-role-of-property-catastrophe-reinsurance-markets.htm>.

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

The effects of the COVID-19 pandemic, including the associated financial and policy responses (collectively, the effects of the COVID-19 pandemic), have brought a series of wide-ranging and unprecedented new challenges for the global insurance industry, including transforming the insurance risk landscape. In response, the IAIS altered its work program to protect and provide operational relief to its constituents and also took steps to assess and address the implications of the pandemic on the global insurance sector.³³ These steps have included (1) adjusting IAIS operations, (2) facilitating communication and coordination among insurance supervisors on their policy responses, (3) issuing public statements on policyholder protection matters while cautioning against the payout of retroactive COVID-19-related claims by insurers, and (4) enhancing surveillance and analysis of the global insurance sector.

The IAIS took immediate action to safeguard the well-being of its members and stakeholders in March 2020 by suspending all in-person gatherings and transitioning to virtual events.³⁴ In an effort to provide operational relief, the IAIS adjusted its work program for members, insurers, and other stakeholders through the extension of timelines for the ICS and Aggregation Method data collections and the delay of public consultations on material such as Issues Papers and Application Papers by at least six months.³⁵ The impact of these changes is discussed in more detail in subsequent sections of this report.

Throughout 2020, the IAIS facilitated communication and coordination among insurance supervisors on policy responses to the effects of the COVID-19 pandemic.³⁶ In March 2020, the IAIS launched an ongoing survey of key regulatory, supervisory, and other financial policy measures taken by its members in response to the COVID-19 pandemic.³⁷ The survey and its responses were intended to promote the exchange of information between insurance supervisors and to identify common approaches and potential areas for coordinated responses. Responses were aggregated in a cumulative, members-only database with nearly 130 submissions from more than 70 jurisdictions.³⁸

³³ NAIC, *A Report of the NAIC on the State Insurance Regulatory Responses to COVID-19* (2020), 23, https://content.naic.org/sites/default/files/naic_covid_19_report_update2.pdf.

³⁴ Although the IAIS suspended in-person activities after its February 2020 committee meetings, IAIS groups, particularly the Executive Committee, held frequent teleconferences to facilitate this communication and coordination.

³⁵ IAIS, “IAIS Executive Committee takes steps to address impact of COVID-19 on the insurance sector,” news release, March 27, 2020, <https://www.iaisweb.org/page/news/press-releases/file/89387/27-march-2020-media-release-iais-executive-committee-takes-steps-to-address-impact-of-covid-19-on-the-insurance-sector>.

³⁶ See IAIS “IAIS Executive Committee takes steps to address impact of COVID-19 on the insurance sector.”

³⁷ IAIS, *Global Insurance Market Report (GIMAR – Covid-19 Edition)* (2020), 9, <https://www.iaisweb.org/page/supervisory-material/financial-stability/global-insurance-market-report-gimar/file/94221/iais-global-insurance-market-report-2020>. Beginning in March 2020, IAIS members from all over the globe submitted responses to the IAIS survey asking about the key regulatory, supervisory, and other financial policy measures taken in responses to COVID-19. The information was collected to facilitate information exchange between insurance supervisors and to identify common approaches and potential areas for coordinated responses by the IAIS.

³⁸ See IAIS, *Global Insurance Market Report (GIMAR – Covid-19 Edition)*. An additional 11 jurisdictions outside of the IAIS’s scope also participated in the sectorwide data collection. See IAIS, “Newsletter” (November/December 2020), 6, <https://www.iaisweb.org/page/news/newsletter-archive/file/93986/iais-newsletter-november-december-2020#>.

The IAIS's supervisory discussions emphasized the importance of effective policyholder protection and fair treatment of customers during the pandemic.³⁹ Many supervisors took proactive steps, such as allowing alternative methods of distributing insurance policies that do not require physical presence, giving policyholders extra flexibility on premiums, and refunding some premiums if loss experience declined sharply, such as with auto insurance.⁴⁰ The IAIS also encouraged insurers to pay covered claims related to COVID-19 promptly.⁴¹ Discussion at the IAIS, however, revealed that requiring insurers to cover excluded losses related to COVID-19 retroactively could have financial stability implications. The IAIS cautioned against such initiatives.⁴²

To assess the effects of the COVID-19 pandemic on global insurers and insurance sectors, the IAIS repurposed its Global Monitoring Exercise (GME), previously planned to assess global insurance-market trends and developments and to detect the possible build-up of systemic risk in the global insurance sector. The IAIS focused the 2020 GME on the resulting economic impact of the pandemic. To this end, data were collected from a pool of 60 insurance groups and regulatory agencies in 28 jurisdictions. These data were collected to assess the financial impact of the pandemic at both the company and sector level as well as to inform insurance supervisors' responses.⁴³ Three different data collections provided the IAIS with four quarterly data points for its monitoring and forward-looking analysis.⁴⁴

In December 2020, the IAIS published a special edition of the 2020 Global Insurance Market Report (GIMAR) which assessed the effects of the COVID-19 pandemic on the global insurance sector in the first six months of 2020. The IAIS concluded that despite the volatility in the financial markets during the first half of 2020, "the global insurance sector has remained both financially and operationally resilient," although the IAIS acknowledged that the pandemic's ultimate impact on the insurance sector and its policyholders remains uncertain.⁴⁵

Based on data and information collected by the IAIS, financial-market volatility associated with the effects of the COVID-19 pandemic primarily impacted the insurance sector's profitability through investment losses. The IAIS believes the surrounding duration and the long-term impact of COVID-19 on the global insurance industry will continue to present risks to insurers' profitability and solvency, and to broader financial stability.⁴⁶ The IAIS plans to continue to monitor and assess how insurers are affected by focusing on key vulnerabilities, which may include

³⁹ IAIS, "IAIS facilitates global coordination on financial stability and policyholder protection during Covid-19 crisis," news release, May 7, 2020, <https://www.iaisweb.org/file/89860/iais-media-release-financial-stability-and-policyholder-protection>.

⁴⁰ IAIS, "IAIS facilitates global coordination on financial stability and policyholder protection during Covid-19 crisis."

⁴¹ IAIS, "IAIS facilitates global coordination on financial stability and policyholder protection during Covid-19 crisis."

⁴² IAIS, "IAIS facilitates global coordination on financial stability and policyholder protection during Covid-19 crisis."

⁴³ See IAIS, *Global Insurance Market Report (GIMAR – Covid-19 Edition)*, 2.

⁴⁴ See IAIS, *Global Insurance Market Report (GIMAR – Covid-19 Edition)*, 2.

⁴⁵ See IAIS, *Global Insurance Market Report (GIMAR – Covid-19 Edition)*, 1.

⁴⁶ See IAIS, *Global Insurance Market Report (GIMAR – Covid-19 Edition)*, 11.

- the potential for credit quality deterioration, including adverse-ratings migration in insurers' bond holdings;
- the impact of the prolonged low interest environment, particularly for insurers writing interest-sensitive products with long-term guarantees; and
- increased COVID-19-related claims frequency and severity, including claims from business interruption insurance coverage due to the uncertainties surrounding policy wording.⁴⁷

In addition to its then-current initiatives, the IAIS planned for ongoing assessment of potential vulnerabilities arising from the effects of the COVID-19 pandemic, additional supervisory material, and other activities that would facilitate the leadership role that insurers, supported by supervisors, have to play in the recovery from the effects of the COVID-19 pandemic.

Climate Risk

During 2020, the IAIS's climate efforts included finalizing an issues paper on recommendations regarding climate-related financial disclosures,⁴⁸ consulting the public on an application paper for supervision of climate risks in insurance,⁴⁹ analyzing the impact of climate change on insurers' investments, and adopting an institutional environmental policy for the IAIS's own behavior.⁵⁰

The February 2020 joint IAIS and Sustainable Insurance Forum (SIF) issues paper on disclosures followed recommendations released in 2017 by the FSB Task Force on Climate-related Financial Disclosures (TCFD) and a 2018 joint IAIS and SIF issues paper on climate change risks to the insurance sector. The IAIS and SIF based their 2020 paper on a 2019 SIF survey about insurers' use of climate risk disclosures. The 2020 paper discussed likely trade-offs when strengthening implementation, suggested a broad range of supervisory issues resulting from an increase in this risk, and recommended that the IAIS and SIF, as a next step, issue a joint application paper on climate risk in the insurance sector.

In October 2020, the IAIS and SIF issued a public consultation on the *Draft Application Paper on the Supervision of Climate-related Risks in the Insurance Sector*, setting a January 2021 deadline for comments. They explained that the draft paper was meant to be a guide for supervisors applying relevant IAIS Insurance Core Principles (ICPs) and standards when supervising climate risk. In addition to public disclosure, the draft paper discussed the supervisory role, corporate gov-

⁴⁷ See IAIS, *Global Insurance Market Report (GIMAR – Covid-19 Edition)*, 1.

⁴⁸ IAIS, "Issues Paper on the Implementation of the Recommendations of the Task Force on Climate-related Financial Disclosures," (Basel: IAIS, February 2020), <https://www.iaisweb.org/page/supervisory-material/issues-papers/file/88991/issues-paper-on-the-implementation-of-the-tcfd-recommendations>.

⁴⁹ IAIS, "Public Consultation: Draft Application Paper on the Supervision of Climate-related Risks in the Insurance Sector," <https://www.iaisweb.org/page/consultations/closed-consultations/2021/application-paper-on-the-supervision-of-climate-related-risks-in-the-insurance-sector>.

⁵⁰ IAIS, *Environmental Policy* (Basel: IAIS, December 2020), <https://www.iaisweb.org/file/93682/iais-environmental-policy>.

ernance, risk management and internal controls, enterprise risk management for solvency purposes, and investments. The IAIS also held a public session on the background of the paper.⁵¹

In early December 2020, the IAIS adopted a policy to guide its own stewardship of the environment. The policy sets guidelines for the IAIS's performance on environmental issues with strategic objectives and metrics for monitoring and reporting progress. For example, the IAIS seeks to reduce its overall carbon footprint for travel related to in-person IAIS events and to reduce IAIS Secretariat travel by 25 percent.

During 2020, the IAIS approved commencement of research for a GIMAR special topic report on climate change. The IAIS indicated that the report will analyze the macroprudential risks from the impacts of climate change on insurers' investments. The IAIS also approved a collection of data to support the development of this GIMAR special topic, with publication expected in 2021.⁵²

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).⁵³ 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 intended to provide a harmonized capital standard across jurisdictions.⁵⁴

After six years of field testing the ICS, the IAIS launched its planned five-year ICS monitoring period in January 2020, marking the start of annual confidential reporting of the ICS by volunteer insurance groups and any additional reporting at the option of groupwide supervisors.^{55,56} One of

⁵¹ IAIS, "Public Consultation: Draft Application Paper on the Supervision of Climate-related Risks in the Insurance Sector," <https://www.iaisweb.org/page/consultations/closed-consultations/2021/application-paper-on-the-supervision-of-climate-related-risks-in-the-insurance-sector>.

⁵² IAIS, "2020-2021 Public Roadmap," (2020), 5, <https://www.iaisweb.org/page/about-the-iais/public-roadmap/file/88079/2020-2021-iais-public-roadmap>.

⁵³ 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/page/supervisory-material/insurance-core-principles-and-comframe/file/87287/comframe-frequently-asked-questions>.

⁵⁴ See IAIS, *Risk-Based Global Insurance Capital Standard Version 2.0 (Public Consultation Document)*, <https://www.iaisweb.org/page/consultations/closed-consultations/2018/ics-version-20/file/76124/ics-version-20-public-consultation-document>.

⁵⁵ The purpose of the monitoring period is to monitor the performance of the ICS over a period of time rather than the capital adequacy of IAIGs. IAIGs are not expected to manage their businesses to the ICS during this time. As a result, no supervisory actions will be taken if ICS coverage ratios fall below 100 percent. Furthermore, the monitoring period is intended to be a period of stability for the reference ICS and additional reporting. This does not preclude possible clarifications or refinements and correction of major flaws or unintended consequences identified during the monitoring period to improve the ongoing development of the ICS. IAIS, "Explanatory Note on the Insurance Capital Standard (ICS) and Comparability Assessment" (November 2019), <https://www.iaisweb.org/page/news/press-releases/file/87173/explanatory-note-on-the-ics-and-comparability-assessment>.

the primary objectives of the monitoring period is for the IAIS to improve the ICS through feedback from supervisors and IAIGs.⁵⁷ The effects of the COVID-19 pandemic, however, presented some difficulties in the first year due to the lockdowns and travel restrictions that were imposed by various governments. The IAIS responded by providing operational relief to supervisors and firms, delaying the deadline for data submissions, and allowing firms to continue reporting on a best-efforts basis rather than a higher-quality basis. While the delay in reporting made it challenging for supervisory college discussions on the ICS to take place more widely in 2020, the IAIS still received some views from supervisors and firms, including on the appropriateness and performance of the reference ICS relative to existing capital standards.

The effects of the COVID-19 pandemic also led to the cancellation of the global supervisory forum that was planned for 2020. In addition, one jurisdiction withdrew from the ICS project so that the jurisdiction's authorities could address the impact of the health crisis on its own market. In the end, 39 insurance groups from around the world participated in the ICS confidential reporting exercise in 2020, six of which were from the United States.⁵⁸ Additionally, the conditions created by the pandemic provided the IAIS with some insight into the performance of the ICS in a period of global stress.

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.

FIO and the Federal Reserve will continue to engage with the IAIS in order to better reflect U.S. insurance practices and markets in the ICS framework, endeavoring to also inform both the public consultation of the ICS as a prescribed capital requirement (PCR) 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.

Led by the United States and in collaboration with other interested jurisdictions, the development of the Aggregation Method (AM), a potential alternative approach to the ICS of calculating group capital, continues to progress. In November 2020, the IAIS issued a public consultation,

⁵⁶ 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.

⁵⁷ IAIS, "Operationalisation of the Monitoring Period," news release, November 14, 2019, <https://www.iaisweb.org/page/news/press-releases//file/87172/operationalisation-of-the-monitoring-period>.

⁵⁸ See IAIS, "Successful first year of monitoring of the global insurance capital standard (ICS) on route to adoption in 2024," news release, March 8, 2021, <https://www.iaisweb.org/news/press-release-successful-first-year-of-monitoring-of-the-global-insurance-capital-standard-ics-on-route-to-adoption-in-2024>.

requesting views on its draft definition of comparable outcomes and high-level principles to inform the criteria that will be used to assess whether the AM provides comparable outcomes to the ICS.⁵⁹ If deemed comparable, the AM will be considered an outcome-equivalent approach for implementation of the ICS as a PCR. 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.

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.⁶⁰ To help inform FIO’s future work on the ICS and related matters at the IAIS, FIO issued a Request for Information in October 2020, seeking views on the potential impact to the U.S. insurance market with the planned implementation of the ICS, including the implications for global competitiveness of U.S. insurers and product cost and availability for consumers.⁶¹ 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.

Other IAIS Macroprudential Work

In 2020, the IAIS also further developed metrics to monitor the global insurance industry’s liquidity position. On November 9, 2020, the IAIS published a draft liquidity monitoring metric for public comment.⁶² This proposed metric would not be a requirement or have the potential to result in any designation of an insurer as systemically important. Instead, it would help the IAIS form a comprehensive assessment about the potential build-up of systemic risk in the insurance sector. The IAIS planned to continue to consult further on other liquidity metrics in 2021, including at least one that relies on company projections, and finalize an initial set of metrics for monitoring in 2022.

Assessment Work

Throughout 2020, the IAIS continued its pivot from the development of standards to supporting the implementation and assessment of implementation of standards. The IAIS published the results from its corporate and risk-governance thematic Peer Review Process, in which 70 mem-

⁵⁹ IAIS, “Public Consultation on the Draft Definition and High-Level Principles to Inform the Criteria that Will Be Used to Assess Whether the Aggregation Method Provides Comparable Outcomes to the Insurance Capital Standard,” <https://www.iaisweb.org/page/consultations/closed-consultations/2021/draft-definition-of-comparable-outcomes-and-high-level-principles>.

⁶⁰ Act § 211(c)(3)(A), 31 U.S.C. § 313 note.

⁶¹ Federal Insurance Office Study on the Insurance Capital Standard, 85 Fed. Reg. 64,228 (October 9, 2020), <https://www.federalregister.gov/documents/2020/10/09/2020-22384/federal-insurance-office-study-on-the-insurance-capital-standard>.

⁶² IAIS, *Development of Liquidity Metrics: Phase 1 – Exposure Approach (Public Consultation Document)* (Basel: IAIS, November 2020), <https://www.iaisweb.org/page/consultations/current-consultations/development-of-liquidity-metrics-phase-1-exposure-approach/file/93103/pcd-on-development-of-liquidity-metrics-phase-1-exposure-approach-public>.

bers participated, covering ICPs 4, 5, 7, and 8.⁶³ Following its 2019 assessment of Guernsey, the IAIS also published the results of its second pilot Member Assessment Process, a detailed assessment of the implementation of all ICPs, for the Kingdom of Morocco.⁶⁴ The IAIS additionally took steps to identify implementation needs and challenges from its broader membership base, particularly those from Emerging Market and Developing Economy (EMDE) jurisdictions.⁶⁵

The IAIS also started 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. In May 2020, the IAIS launched a self-assessment questionnaire, the first phase of the project. These self-assessments are intended to assess a baseline level of implementation. During 2020, the IAIS also agreed to the key design elements of the second phase of the implementation assessment, which is scheduled to start in 2021 and end in 2022, and feature more intensive assessments by the IAIS of implementation of the Holistic Framework supervisory material.

Other IAIS Activity

In response to the increasing significance of cyber risk, further exacerbated by increased teleworking and cyber incidents arising from the effects of the COVID-19 pandemic, the IAIS formed the Operational Resilience Task Force (ORTF) in 2020. The aim of the ORTF is to focus on developing supervisory supporting guidance and material in operational resilience, specifically on information technology third-party outsourcing and insurance sector cyber resilience. The ORTF may also look at integrating lessons on ensuring business continuity over an extended period into supervisory guidance.⁶⁶

The IAIS also published material on a range of topics beyond those outlined above. For example, the Resolution Working Group, which FIO currently chairs, published an *Application Paper on Resolution Powers and Planning* in November 2020, based in part on issues raised during the consultation on ICP 12 and related ComFrame material.⁶⁷ Also, the IAIS released an *Issues Paper on the*

⁶³ IAIS, *Peer Review of Corporate and Risk-Governance relative to the standards set out in Insurance Core Principles 4, 5, 7 and 8* (Basel: IAIS, June 2020), <https://www.iaisweb.org/page/supervisory-material/implementation-and-capacity-building/assessments/file/90676/aggregate-report-of-prp-on-icps-457-and-8>.

⁶⁴ IAIS, *Detailed Assessment of Observance IAIS Insurance Core Principles (ICPs) Morocco* (Basel: IAIS, June 2020), <https://www.iaisweb.org/page/supervisory-material/implementation-and-capacity-building/assessments/file/90877/assessment-report-map-morocco>.

⁶⁵ IAIS, Newsletter (November/December 2020), "Implementation and Assessment Committee," <https://www.iaisweb.org/page/news/newsletter-archive/file/93986/iais-newsletter-november-december-2020#>.

⁶⁶ IAIS, "2021-2022 Roadmap Adopted on 22 February 2021," <https://www.iaisweb.org/page/about-the-iais/public-roadmap/file/95571/2021-2022-iais-public-roadmap>.

⁶⁷ IAIS, *Application Paper on Resolution Powers and Planning (For Public Consultation)* (Basel: IAIS, November 2020), <https://www.iaisweb.org/page/consultations/closed-consultations/2021/application-paper-on-resolution-powers-and-planning>.

Use of Big Data Analytics in Insurance,⁶⁸ a report on the LIBOR transition from an insurance perspective,⁶⁹ and a report on cyber risk underwriting.⁷⁰ Staff from FIO and the Federal Reserve contributed to development of IAIS materials and will continue to advocate for U.S. interests throughout the IAIS.

FSB Cross-Border Resolution

The FSB oversees some insurance resolution-planning work through the CrossBorder Crisis Management Group for Insurers (iCBCM).⁷¹ The FSB's iCBCM assists and supports regulatory authorities in the development and implementation of resolution-related policy measures for globally 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.⁷² 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.⁷³ In August 2020, the FSB finalized the *Key Attributes Assessment Methodology for the Insurance Sector*, which presents the approach for assessing implementation of the Key Attributes in the insurance sector.⁷⁴

In November 2020, the FSB issued its ninth report on the implementation of resolution reforms, which noted that the iCBCM will continue to monitor the implementation of the Key Attributes for the insurance sector.⁷⁵

⁶⁸ IAIS, *Issues Paper on the Use of Big Data Analytics in Insurance* (Basel: IAIS, February 2020), <https://www.iaisweb.org/page/supervisory-material/issues-papers/file/89244/issues-paper-on-use-of-big-data-analytics-in-insurance>.

⁶⁹ IAIS, *Supervisory Issues Associated with Benchmark Transition from an Insurance Perspective* (Basel: IAIS, July 2020), <https://www.iaisweb.org/page/supervisory-material/other-supervisory-papers-and-reports/file/90888/iais-report-on-supervisory-issues-associated-with-benchmark-transition-from-an-insurance-perspective>.

⁷⁰ IAIS, *Cyber Risk Underwriting: Identified Challenges and Supervisory Considerations for Sustainable Market Development* (Basel: IAIS, December 2020), <https://www.iaisweb.org/page/supervisory-material/other-supervisory-papers-and-reports/file/94255/cyber-risk-underwriting-identified-challenges-and-supervisory-considerations-for-sustainable-market-development>.

⁷¹ See 2019 Fed-FIO Annual Report.

⁷² FSB, *FSB 2019 Resolution Report: Mind the Gap* (Basel: FSB, November 2019), 16, <https://www.fsb.org/wp-content/uploads/P141119-3.pdf>.

⁷³ FSB, *Key Attributes of Effective Resolution Regimes for Financial Institutions* (Basel: FSB, October 2014), https://www.fsb.org/wp-content/uploads/r_141015.pdf.

⁷⁴ FSB, *Key Attributes Assessment Methodology for the Insurance Sector* (Basel: FSB, August 2020), <https://www.fsb.org/wp-content/uploads/P250820-1.pdf>.

⁷⁵ FSB, *FSB 2020 Resolution Report* (Basel: FSB, November 2020), 18, <https://www.fsb.org/2020/11/2020-resolution-report-be-prepared/>.

Transparency Efforts at the IAIS and the FSB

FIO and the Federal Reserve promote efforts to increase transparency at the IAIS and the FSB. FIO further enhances transparency by engaging with stakeholders through the FACI, which provides non-binding advice and recommendations to FIO. The Federal Reserve performs a similar function through the IPAC.

IAIS Transparency Efforts

Our 2019 report noted several aspects of the IAIS's approach to transparency, as follows:⁷⁶

- enshrining in IAIS by-laws the requirement to “operate in an open and transparent manner”;⁷⁷
- committing, in its 2017 Stakeholder Engagement Plan, to enhanced engagement opportunities;⁷⁸
- holding an annual conference, open to all stakeholders and the general public;⁷⁹
- expanding reliance on its newsletter and website to publish key materials and publicize engagement opportunities;⁸⁰ and
- a statement by the IAIS secretary general that the IAIS has “a fresh commitment to further strengthen these stakeholder engagement efforts.”⁸¹

As described in last year's report, these commitments have been reflected in the increasingly transparent manner by which the IAIS has considered, advanced, and adopted its policy initiatives, standards, and guidance.⁸²

While the IAIS made a range of adjustments to its work program in 2020 to provide operational relief to member supervisors, insurers, and other stakeholders, and while no in-person meetings were held after February 2020, the work and outreach of the IAIS continued. [Table 2](#) compiles the various stakeholder consultations and events conducted by the IAIS in 2020, all of which were held through remote means. As in past years, Team USA members actively participated in each of

⁷⁶ See *2019 Transparency Report, 2019 Fed-FIO Annual Report*.

⁷⁷ See “IAIS By-Laws,” Art. 2(3).

⁷⁸ See IAIS, *2017 Annual Report*, 10 (referencing the “commitments contained in the IAIS Stakeholder Engagement Plan”).

⁷⁹ See IAIS, *Stakeholder Engagement Plan*, section I(J), <https://www.iaisweb.org/file/65579/iais-stakeholder-engagement-plan-2017>.

⁸⁰ See, e.g., IAIS, “Newsletter,” <https://www.iaisweb.org/page/news/newsletter>; IAIS, *Stakeholder Engagement Plan*, section I(K), <https://www.iaisweb.org/file/65579/iais-stakeholder-engagement-plan-2017>.

⁸¹ IAIS, “Newsletter” (Summer 2019), 1, <https://www.iaisweb.org/page/news/newsletter-archive/file/83788/iais-newsletter-summer-2019>.

⁸² See *2019 Transparency Report, 2019 Fed-FIO Annual Report*, 15.

Date	Consultations and meetings
January 14, 2020	Public background session on the draft Issues Paper on Task Force on Climate-related Financial Disclosures (TCFD) Recommendations (webinar) with United Nations Sustainable Insurance Forum (SIF).
January 21, 2020	Public background session on ICS Version 2.0 for the monitoring period (teleconference).
February 27, 2020	Interested stakeholder call-in session with Accounting and Auditing Working Group to provide updates on its activities and gather feedback on key matters of interest.
March 31, 2020	Public briefing session on Issues Paper on the Use of Big Data Analytics in Insurance (teleconference).
April 21, 2020	Stakeholder event (teleconference) of the Resolution Working Group to support the development of the Application Paper on Resolution Powers and Planning.
June 3, 2020	Interested stakeholder teleconference with Accounting and Auditing Working Group to provide updates on its activities and gather feedback on key matters of interest.
June 9, 2020	IAIS SIF webinar supporting the development of an Application Paper on the Supervision of Climate-related Risks in the Insurance Sector.
June 25, 2020	IAIS ExCo virtual dialogue (webinar) focused on COVID-19 and an update on the IAIS's Roadmap activities and providing stakeholders with an opportunity to ask questions to leadership and share their perspectives and views.
October 22, 2020	Interested stakeholder teleconference with Accounting and Auditing Working Group to provide updates on its activities and gather feedback on key matters of interest.
October 26, 2020	Public background session co-hosted with SIF (webinar) on the Draft Application Paper on the Supervision of Climate-related Risks in the Insurance Sector, that was published for consultation on October 13, 2020.
November 30, 2020	Public background sessions (webinar) on the two consultation documents: (1) Development of Liquidity Metrics: Phase 1 – Exposure Approach; and (2) Application Paper on Resolution Powers and Planning.
Source: IAIS, "Stakeholder Meetings," https://www.iaisweb.org/page/events/stakeholder-meetings/previous-meetings .	

the sessions, including by chairing some of them. In the view of Treasury and the Federal Reserve, this expansive list demonstrates that the IAIS continues to take seriously the need for transparency. Its efforts to do so during this difficult period reflect that commitment. 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.

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. Randal K. Quarles continued to serve as FSB Chair in 2020. He made increasing FSB transparency and stakeholder engagement a key part of the group's agenda. In 2019, for the first time in its history, the FSB publicly disseminated its comprehensive work program. The FSB's work program was also published in 2020 and 2021.

The FSB also continues to engage directly with insurers as part of its transparency efforts. In May 2020, senior FSB representatives met with industry stakeholders, including insurers, on the impact of COVID-19. Insurers also participated in other discussions at the FSB, including an FSB event on credit-rating downgrades.

The Federal Reserve and Treasury also have advocated for increased transparency on IAIS matters at the FSB. The Federal Reserve and Treasury have advocated at both the IAIS and FSB for 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 Framework due to COVID-19, the Federal Reserve and Treasury have suggested postponing this review until 2023.

The FSB continues to look for ways to further increase stakeholder engagement.

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 four subcommittees, which prepare draft recommendations for FACI's consideration. The Subcommittee on FIO's International Work presented draft recommendations related to international market access to FACI at the December 2020 meeting. The Subcommittee also presented a white paper addressing key market access challenges for international insurers, which elaborated on the proposed recommendations.⁸³

Following discussion, FACI adopted the following recommendations:⁸⁴

- FIO should advocate for Treasury and other federal departments and agencies with relevant jurisdiction and expertise—including the Office of the U.S. Trade Representative—to ensure the issues the Subcommittee has identified are considered and resolution sought when engaging in trade negotiations and bilateral consultations with foreign jurisdictions.
- Analysis of which jurisdictions are engaging in the market access and level playing field issues the Subcommittee has identified should be expanded upon and maintained by the U.S. Government. FIO should advocate for the Office of the U.S. Trade Representative to request that the U.S. International Trade Commission undertake this work.
- Within the framework of international agreements, FIO should advocate for Treasury and the Office of the U.S. Trade Representative to encourage relevant agencies and organizations to strengthen monitoring of international trade agreement implementation and enforcement of violations, including establishment of annual meetings of signatories to review implementation status and adherence to commitments and new approaches for early identification of issues and resolution of disputes.

⁸³ FACI International Subcommittee, "Market Access/Level Playing Field: Key Challenges for International Insurers," (2020), <https://home.treasury.gov/system/files/311/faci-white-paper-market-access-12-20.pdf>.

⁸⁴ FACI, "Minutes – 3 December 2020," 33-34, <https://home.treasury.gov/system/files/311/FACI-Minutes-12-20.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>.

- FIO should advocate for policies and standards at the IAIS that prevent disparate supervision of market players operating in a jurisdiction.
- FIO should advocate for Treasury to pursue policies and standards at the FSB that prevent disparate supervision of market players operating in a jurisdiction.

These recommendations were taken into consideration by FIO and helped inform Treasury's position on a variety of market access topics.

Insurance Policy Advisory Committee

In 2020, the IPAC, which was established by Congress in 2018 through the Act, advised the Federal Reserve primarily on capital standards.⁸⁵

The Federal Reserve also solicited applications for seven IPAC members.⁸⁶ 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."⁸⁷ In 2020, the Federal Reserve reappointed four of the inaugural IPAC members, who had served an initial one-year term, and appointed three new IPAC members.⁸⁸ These IPAC members will serve three-year terms commencing in January 2021. The Federal Reserve continues to build a diverse IPAC membership.

⁸⁵ See Act § 211(b), 31 U.S.C. § 313 note (establishing the Insurance Policy Advisory Committee).

⁸⁶ 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>.

⁸⁷ Act § 211(b)(2).

⁸⁸ Federal Reserve, "Records of the meetings of the Insurance Policy Advisory Committee," (2020), <https://www.federalreserve.gov/aboutthefed/ipac.htm>.

Conclusion

In 2020, 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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