



## **The Insurance Policy Advisory Committee (IPAC)**

### **Record of Meeting**

November 3, 2021

Washington, District of Columbia

#### **1. Opening Comments**

The IPAC Chair opened the meeting by welcoming members and guests and acknowledged the recent promotion of the manager of the Board's Insurance Supervision and Regulation team. The IPAC Secretary then provided background on a proposed charter modification needed due to the vacancy in the Board's Vice Chair for Supervision role.

#### **2. Interest Rate working group (IR WG)**

IPAC members discussed the work completed by the IR WG, which focused on the impact of long-term low interest rates on the U.S. insurance market. IR WG members presented their analysis to three Board Governors in June 2021 and discussed with members feedback received from the Governors. IPAC members then voted to close the IR WG.

#### **3. Formation of the next IPAC working group**

Three proposals were submitted by IPAC members for potential working groups: 1) supervisory framework, 2) climate risk, and 3) pandemic risk. Based on the timing of comments due to the Board regarding its proposed insurance supervisory framework, IPAC members voted to form the Supervisory Framework working group (SF WG). The IPAC Secretary encouraged members to volunteer quickly for the SF WG given the quick turnaround needed to provide advice to the Board before the end of the comment period.

#### **4. International Association of Insurance Supervisors (IAIS) Comparability Criteria for the Aggregation Method (AM): What input should IPAC members prepare as the IAIS develops comparability criteria for the AM?**

IPAC Secretariat staff provided an overview on the IAIS's development of comparability criteria that will be used to assess whether the AM produces comparable outcomes to the Insurance Capital Standard (ICS) and could therefore be considered an outcome-equivalent approach for implementation of the ICS. IPAC Secretariat staff also provided a definition of comparable outcomes and an outline of the high-level principles developed by the IAIS to serve as guidance for developing its comparability criteria. IPAC members advised on comparable outcomes between the AM and ICS relating to data availability, multination implementation, regulatory intervention thresholds, and use of scalars to better align the two methods.

#### **5. IAIS ICS: What are IPAC members' views on the IPAC's ICS working group's (ICS WG) analysis of the potential impacts of the ICS?**

The ICS WG shared its preliminary model results and findings. Working group members expressed various viewpoints about the use of the ICS as a prescribed capital requirement (PCR). IPAC members

shared a range of perspectives concerning the determination of capital resources, the ICS's three-bucket approach, and the alignment of interest rate risk and nondefault spread risk with the market.

## **6. Additional Matters**

IPAC Secretariat staff updated IPAC members on the IAIS's Global Monitoring Exercise completed earlier in the year and the initial implementation of the Holistic Framework. IPAC Secretariat staff also informed members that the IAIS had created a new Climate Risk Steering Group, and an IPAC member expressed interest in providing stakeholder feedback for the newly formed group.

The IPAC Chair and Vice Chair then thanked members for their efforts in the working groups and overall engagement and closed the meeting.