



The Insurance Policy Advisory Committee (IPAC)

Record of Meeting

June 5, 2025

Washington, District of Columbia

1. Opening Statement

The IPAC chair welcomed all members to the first in-person meeting of 2025. Vice Chair for Supervision Michelle W. Bowman thanked IPAC members for their service and for sharing their perspectives on top issues facing the insurance sector.

2. Roundtable Discussion on Insurance Market Conditions

The IPAC chair facilitated a roundtable discussion on how current and forecasted economic conditions may impact insurers and policyholders. Members noted that economic uncertainty can lead insurers to deploy capital cautiously, potentially limiting business volume and resulting in more conservative policy pricing. Members commented that both life and property and casualty (P&C) insurers are generally well-capitalized, which helps them navigate volatility.

For the P&C insurance industry, members discussed how interest rates have supported positive underwriting profits and commented on the potential impact of tariffs on loss recovery costs and replacement costs. Members also discussed uncertainty in claim costs due to litigation-driven claims and noted insurers are seeking more transparency in third-party litigation funding. Some members commented on a significant decrease in litigation misuse in states that have implemented reforms.

IPAC members noted that the life insurance industry generally benefits from current interest rates, which generate higher investment results from fixed income investments. Members identified credit default risk as the largest risk for life insurers, noting that while defaults have not significantly increased recently, they could rise in the future. Further discussion centered on the increase in insurers' investment in private credit and how alternative investments backing life insurance products may respond during times of stress. Members discussed interest rate volatility and noted they have various tools to manage this risk, including hedging derivatives, asset-liability matching, and diversification.

Members also commented on risks in the California homeowners insurance and P&C insurance markets. Other members expressed concerns about the purchase of assets from affiliate asset managers, the increased reliance on offshore reinsurance, and the potential for stagflation.

3. Insurers Leveraging Traditional and Generative Artificial Intelligence (AI)

IPAC members provided perspectives on AI's current and future usage in the insurance industry, risks and challenges to its adoption, and the AI frameworks of their companies. Members generally agreed that AI could be transformative to the insurance industry, and discussed current use cases including policy servicing, claims processing, underwriting, and operations. Further discussion centered on the risks of AI usage and the importance of developing appropriate AI frameworks and acceptable use policies.

4. California Property Insurance Markets

IPAC members expressed varying views on California's property insurance market, including on recent reforms to the California market. Some members noted the possibility that, without further reforms, the availability of private sector insurance in California may suffer, which could impact real estate markets. Further discussion centered around the movement of risks to excess and surplus lines, and the potential impact on the primary insurance market and the Fair Access to Insurance Requirements (FAIR) Plan. Members discussed two policy paths for stabilization of the market: undertaking meaningful reform (likely resulting in higher prices) or the further development of a state government backstop for the homeowners insurance market. Members also identified new litigation as a challenge to property insurers in the state.

5. Federal Reserve's Role in International Insurance Setting

Board staff provided background on the Federal Reserve's international role. Generally, IPAC members were supportive of the Board's current level of engagement and noted that many international insurance issues relate to the Board's broader role in the economy and to financial stability.

6. Life Insurance Structural Shifts Working Group

Board staff facilitated a discussion on the IPAC's Life Insurance Structural Shifts working group, which is examining life insurance sector structural changes and potential systemic risks. The working group plans to foster a more comprehensive understanding of evolving shifts, with a focus on issues which will impact U.S. business.

7. Property Insurance Working Group

The Property Insurance Working Group chair provided an update on work done by the group, which remains focused on an impact analysis of Florida hurricane events. IPAC members approved the parameters for a potential external paper related to the working group project.

8. Additional Matters

The IPAC chair then closed the meeting and thanked IPAC members for their engagement.