



The Insurance Policy Advisory Committee (IPAC)
Record of Meeting
October 28, 2020
Washington, District of Columbia
via Video Conference

1. Opening Comments

The IPAC Secretary opened the meeting and welcomed members and invited guests. Following the welcoming remarks, members discussed the completed work of the Capital Instruments Working Group and Collins Amendment Working Group and then voted to close both working groups.

IPAC members discussed development of high-level principles for comparability of the Aggregation Method (AM) to the International Association of Insurance Supervisors' (IAIS) Insurance Capital Standard (ICS). Member discussion and questions centered around differences between the ICS and AM, the purpose of the principles, the quantitative or qualitative impact of results on any required supervisory actions and/or capital requirements, the potential impact on specific products, any jurisdictional specifications, and the evaluation of individual elements. Members agreed that a more detailed discussion is necessary before formulating any consensus recommendations or advice.

2. What are the views of IPAC members on the ICS working group's (WG) analysis of the ICS impact?

The IPAC ICS WG, which was established by the IPAC in its prior meeting to explore the impacts of the IAIS ICS reference method on the U.S., shared that it is focusing its analysis on the ICS's treatment of long-duration products. The WG intends to include quantitative analysis in its work. IPAC members provided feedback and requested additional materials as the WG continues to develop a report for the Board's consideration.

3. Additional Matters

Overview of Coronavirus Disease 2019 (COVID-19) Impact on the Insurance Industry and Economy

IPAC members shared that technology continues to play a critical role in the pandemic response given increased uses of teleworking, elevated cyber risk, and the need to engage effectively with all customers on digital platforms. Industry employers are engaged in ongoing discussions of how much telework will be permanent in the future and highlighted the challenges with historically in-person functions, like sales. Members also shared that all insurers, not only those engaged in property and casualty, are closely following the business interruption contract language debates. Insurers are seeking to understand any impact to policyholder understanding and insurers' reputations.

IPAC members said market interventions are helpful to companies and consumer confidence broadly but continued to express concern regarding how COVID-19 will impact small or medium-sized enterprises and the broader economy.

IPAC members stated that low interest rates over an extended period make monetary expansion difficult to price in credit markets. As a result, some insurers have changed product offerings or plan to do so. Some insurers are also reconsidering their traditional business model and equity investment strategy.

Building Block Approach (BBA) to Capital Requirements for Board Supervised Insurance Organizations

The Board previously invited comment in September 2019 on a proposed capital rule for supervised insurance organizations. IPAC members expressed their anticipation as they await the Board's final rule.

The IPAC Secretary then closed the meeting and thanked IPAC members and staff for their participation and contributions.