



The Insurance Policy Advisory Committee (IPAC)

Record of Meeting

November 2, 2022

Washington, District of Columbia

1. Opening Comments

The IPAC Vice Chair opened the meeting and welcomed members and invited guests. The IPAC Vice Chair congratulated the IPAC Insurance Capital Standard Working Group (ICS WG) for finishing its work on the International Association of Insurance Supervisors' (IAIS's) comparability criteria for the ICS and Aggregation Method (AM).

The IPAC Vice Chair provided an overview of the meeting agenda and noted that the ICS WG was closed following publication of its report "*Potential Impact of the International Association of Insurance Supervisors' Insurance Capital Standard on the Life Insurance Industry, Policyholders and Markets in the United States*" on Milliman's website and its subsequent outreach efforts.

2. Liquidity Working Group

IPAC members discussed the mandate of the liquidity working group proposed at the previous IPAC meeting. IPAC members supported the proposal and voted to create the new liquidity working group. The new liquidity working group will explore risks to insurers stemming from collateral calls and assess potential policy measures to help mitigate these risks.

3. IAIS ICS: What are IPAC members' views on the IPAC Comparability Criteria Working Group's (CC WG) letter and public comment to the IAIS?

The CC WG Chair led a discussion on the WG's letter regarding the comparability criteria for ICS and AM. The WG carefully evaluated whether the IAIS's proposed criteria would be effective in assessing the performance of AM relative to ICS. The CC WG concluded that stylized modeling and simple sensitivity analysis would be the most practical approach. WG members noted that the extensive data requirements that follow from the IAIS's criteria could undermine the operational feasibility of the comparability assessment. The group challenged the need for these data requirements and the use of company-specific data for comparing regimes. Furthermore, because both the ICS and AM are in a state of flux, future quantitative comparisons should consider these changes. IPAC members expressed their appreciation and support for the CC WG's comments and work to date.

4. What are the effects of inflation and rising interest rates on the insurance sector?

AM Best's director of industry research and analytics provided an outlook on consumer and business sentiment, inflation, and interest rates, and took questions from IPAC members. The presentation also covered AM Best's rating process.

5. The IPAC ICS WG's analysis of the potential impacts of the IAIS ICS and the ICS WG's outreach efforts

IPAC Secretariat staff and ICS WG members facilitated a discussion on the IPAC ICS WG's outreach efforts and follow-up work. The ICS WG presented its analysis at multiple venues, including the National Association of Insurance Commissioners' (NAIC's) International Insurance Relations (G) Committee, U.S. Treasury's Federal Advisory Committee on Insurance, and the IAIS's Capital, Solvency and Field-Testing Working Group (CSF WG). As a follow-up to the ICS study, the ICS WG has prepared a draft letter regarding the IAIS's proposed changes to the ICS and other elements of the ICS that may require further study or changes. The draft letter will be circulated to the full IPAC for comments and then will be provided to the CSF WG.

IPAC members noted the importance of the work on the ICS and suggested that the ICS WG be reopened temporarily to finalize the letter. Several questions were raised on the future of the work, how it relates to past mandates, how the IPAC can best contribute, and the prioritization of the ICS relative to other potential IPAC work. IPAC members then voted to reopen the IPAC ICS WG to finish its letter to the IAIS and make recommendations to members on the future ICS work.

6. Additional Matters:

What issue does the IPAC want to address in its next working group? The IPAC Vice Chair led a discussion on other potential working groups. Two ideas were raised – a working group focused on the issue of social inflation and reopening the climate working group to advise the Federal Reserve Board of Governors further on climate risk in the insurance industry. Because the IPAC had already decided to form a working group on liquidity risk and reopen the ICS WG, members decided to table the conversation of further working groups until the next IPAC meeting.

Other IAIS Items: The Chair of IAIS's Operational Resilience Task Force discussed the IAIS's draft Issues Paper on Insurance Sector Operational Resilience, which will be open for comments until January 6, 2023. The IPAC also discussed the IAIS's work on macroprudential risk, including the review of global systemically important insurer designations. On climate risk, Board staff noted that the IAIS was examining what data should be collected on climate risk as part of its Global Monitoring Exercise, continuing to work on climate scenario analysis, and assessing whether any changes to the IAIS's standards are needed.

The IPAC Vice Chair then closed the meeting and thanked IPAC members and IPAC Secretariat staff for their contributions.