



American Council of Life Insurers

Financial Security...for Life.

Susan K. Neely

President & Chief Executive Officer

September 5, 2019

Mr. Michael Consedine
Chief Executive Officer
National Association of Insurance Commissioners

Mr. Steven Seitz
Director, Federal Insurance Office
U.S. Department of the Treasury

Mr. Thomas R. Sullivan
Associate Director
U.S. Federal Reserve Board

I'm writing on behalf of the American Council of Life Insurers (ACLI)¹ to reiterate our strong support for: a unified "Team USA," our state-based system of insurance regulation, and your continued coordinated efforts at the International Association of Insurance Supervisors (IAIS) to improve the emerging Insurance Capital Standard (ICS). This includes recognition of alternative group capital methodologies, such as the U.S. Aggregation Method.

In advance of the November IAIS annual meeting in Abu Dhabi, I am also sharing concerns about the ICS with the hope that they will be addressed ahead of, and during, the annual meeting.

The IAIS is committed to adopting ICS Version 2.0 and moving forward with the five-year Monitoring Period (2020-2024). Our industry has strong concerns that the ICS is not yet fit for purpose and will require significant further work that will not be completed by November of 2019. In its current form, the ICS is also not suited for the needs of all markets including the United States. Accordingly, we strongly support recent IAIS public commitments to another public consultation on the ICS during the Monitoring Period, with an aim to further improving the pending standard. In that light we make the following requests:

1. *We urge Team USA to advocate for further key technical improvements to the ICS now and through the Monitoring Period.* In addition the IAIS should produce a formal statement, issued with the adoption of ICS Version 2.0 in November, publicly reconfirming that there will be further public consultation during the Monitoring Period. To leverage key findings from the 2019 ICS Field Test before Version 2.0 is adopted, we urge Team USA to push IAIS to make necessary technical improvements to the ICS that more appropriately reflect long duration insurance business. Please let us know how we can be helpful in identifying the specific critical changes.
2. *We urge Team USA to push the IAIS to explicitly confirm its willingness to consider other approaches as outcome equivalent to the ICS MAV approach.* We are concerned that the IAIS has not provided any further detail

¹ The American Council of Life Insurers (ACLI) advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers' financial and retirement security. 90 million American families depend on our members for life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, dental and vision and other supplemental benefits. ACLI represents member companies in state, federal and international forums for public policy that supports the industry marketplace and the families that rely on life insurers' products for peace of mind. ACLI members represent 95 percent of industry assets in the United States.

beyond its 2017 statement, which stated that it will assess comparability of alternative methodologies by the end of the five-year Monitoring Period. It is our hope that the IAIS will state that the assessment of alternative aggregation approaches will be based upon achieving comparable outcomes expected of robust and resilient solvency regimes for internationally-active insurance groups, and not upon pure quantitative similarities that would be an inappropriate comparison of an aggregation framework to a consolidated framework.

The IAIS should also publish a work plan for completing the comparability criteria, including an appropriate time frame, clear process, and opportunities for stakeholder input. This added transparency into the assessment process will allow for more useful input and feedback and will help ensure that all interested parties have an opportunity to participate in the process.

In this regard, we strongly encourage Team USA to continue to advocate for principles and a work plan for assessing comparability to be developed and agreed to by the IAIS annual meeting in Abu Dhabi. We appreciate Team USA's continued efforts to build an adequate knowledge base and to promote participation in data gathering on the Aggregation Method to ensure that it is well understood and that sufficient data is available for IAIS review in assessing its comparability.

3. *We urge Team USA to support an IAIS public statement that would mitigate the risk to the industry that the ICS will be used inappropriately during the Monitoring Period.* The IAIS statement we envision would address the following: (1) Version 2.0 is not the final version and is not yet a meaningful analytical measure suitable for use by supervisors or third parties; (2) company results reported during the Monitoring Period need to be kept confidential and should not be shared with any external parties by supervisors and firms alike; and (3) supervisors and third parties must not rely upon any results generated during the Monitoring Period for any purpose, as they are meant only to serve as input to the IAIS on the performance and refinement of the ICS. *We also urge Team USA to issue a separate U.S. statement in Abu Dhabi along these lines for clarity for U.S. firms.*

4. *We urge Team USA to advocate for the IAIS to commit to a robust, iterative, and independent third-party economic impact analysis.* This analysis would help the IAIS and its members to ascertain and address the consequences of the ICS and its potential negative impacts across cycles on economic growth, financial stability, insurance markets, risk mitigation, investment strategies, and consumers. The IAIS should seek stakeholder input into the design of the analysis and it should be performed early enough in the Monitoring Period to allow for changes to be made to the ICS. It is important that the FSB have a direct line of sight to and involvement in this analysis.

Thank you for your continued leadership on these challenging and important issues. Please let me know what ACLI members can do to help your efforts to achieve these goals. We stand ready to assist you and request your continued engagement with industry stakeholders as you advocate on behalf of the United States.

Sincerely,

A handwritten signature in black ink, appearing to read "Susan K. Neely".

Susan K. Neely
President and CEO

cc: David Altmeier
Gary Anderson
Dean L. Cameron
Eric A. Cioppa
Linda Duzick
Raymond G. Farmer
Elise Liebers
Andrew N. Mais
Bimal Patel
Ethan Sonnichsen
Andrew Stolfi
J. Tyler Williams