

**UNITED STATES DEPARTMENT OF THE TREASURY
FEDERAL ADVISORY COMMITTEE ON INSURANCE
SUMMARY OF PUBLIC MEETING**

November 4, 2015

The Federal Advisory Committee on Insurance was convened at 1:00 P.M. on November 4, 2015 in the Cash Room at the U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, D.C., with Daniel Glaser, Chair, presiding.

In accordance with the provision of the Federal Advisory Committee Act, the meeting was open to the public.

Committee Members Present:

DANIEL GLASER, President and Chief Executive Officer, Marsh & McLennan Companies, Inc., *Chair*

DAVID (BIRNY) BIRNBAUM, Executive Director, Center for Economic Justice

AMY BACH, Executive Director, United Policyholders (*by phone*)

LAURA BISHOP, Executive Vice President and Chief Financial Officer, USAA

KURT BOCK, Chief Executive Officer, Country Financial

ELIZABETH BROWN, Professor, Georgia State University (*by phone*)

BRENDA CUDE, Professor, University of Georgia

JOHN FRANCHINI, Superintendent, New Mexico Office of Superintendent of Insurance

LORETTA FULLER, Chief Executive Officer and Chief Financial Officer, Insurance Solutions Associates

MARK GRIER, Executive Vice President, The Prudential Insurance Company of America, Inc.

GEORGE KEISER, Representative, North Dakota House of Representatives

JAMES KELLEHER, Executive Vice President and Chief Legal Officer, Liberty Mutual Insurance

THEODORE MATHAS, Chairman, President, and Chief Executive Officer, New York Life Insurance Company (represented by proxy Joel Steinberg)

SEAN MCGOVERN, Chief Risk Officer & General Counsel, Lloyd's of London

JULIE MCPEAK, Commissioner, Tennessee Department of Commerce and Insurance

TERESA MILLER, Commissioner, Pennsylvania Insurance Department Insurance

AL REDMER, Commissioner, Maryland Insurance Administration

MICHAEL RILEY, Commissioner, West Virginia Offices of the Insurance Commissioner

MARGUERITE SALAZAR, Commissioner, Colorado Division of Insurance

Also Present:

ANDY NEAL, Actuary, National Flood Insurance Program, Federal Emergency Management Agency

MICHAEL NEWMAN, Senior Policy Analyst, Federal Insurance Office, U.S. Department of the Treasury

MICHAEL MCRAITH, Director, Federal Insurance Office, U.S. Department of the Treasury

EMILE MONETTE, Director of Government-wide Cyber Security, Resilience, and Risk at the U.S. General Services Administration

Welcome Introduction and New Members

Director McRaith welcomed the members of the Federal Advisory Committee on Insurance (FACI) and convened the meeting.

Update from the Affordability and Accessibility Subcommittee

Chairman Glaser then introduced Birny Birnbaum, Chair of the Affordability and Accessibility Subcommittee. Mr. Birnbaum provided a summary of a Subcommittee call which discussed the affordability of personal auto insurance, including FIO's proposal for an affordability index for auto insurance, and data opportunities for FIO. The committee specifically discussed the need for a more granular and geographic data-driven analysis to yield sufficient insight and understanding of the affordability of auto insurance. Director McRaith, Mr. Bock, Representative Keiser, Mr. Kelleher, and Ms. Bach asked questions of Mr. Birnbaum.

Update from the Prudential Issues Subcommittee

Chairman Glaser then introduced Ted Mathas, Chair of the Domestic Prudential Issues Subcommittee. Mr. Mathas provided a summary of a Subcommittee call that discussed the intersection between federal and state involvement in the retirement security space. During the call, the Subcommittee discussed three Treasury initiatives to help address some concerns regarding retirement security: the use of annuities in 401K plans; modification of the rules for required minimum distributions that allow for the use of qualified longevity insurance contracts; and the myRA program. Commissioner Redmer, Ms. Cude, Mr. Birnbaum, and Ms. Fuller engaged in discussion with Mr. Mathas.

Discussion of Affordability in the National Flood Insurance Program

Chairman Glaser then introduced Andy Neal from the National Flood Insurance Program (NFIP) at the Federal Emergency Management Agency (FEMA) for a presentation regarding ongoing work related to affordability of insurance purchased through the NFIP. Mr. Neal discussed the progression of implementation of legislation regarding flood insurance and how policyholders are affected by it. Representative Keiser, Mr. McGovern, Mr. Birnbaum, Ms. Bach, and Commissioner Salazar asked questions of Mr. Neal.

Discussion of Modernizing Insurance Regulation

Chairman Glaser then introduced John Biggs of New York University to discuss some of the issues raised in the book *Modernizing Insurance Regulation*, including the systemic role of insurance companies during the 2008 recession. Chairman Glaser, Mr. Bock, and Commissioner McPeak then asked questions of Mr. Biggs.

The Committee then recessed for a short break.

Discussion of Important Developments at the International Association of Insurance Supervisors

Following a twelve minute break, Chairman Glaser introduced Director McRaith to present on the current work of the IAIS, including the recent announcement regarding Higher Loss Absorbency and the upcoming work on the G-SII assessment methodology. Commissioner McPeak then reported on the progress of the IAIS initiatives from the perspectives of state insurance regulators. Mr. Kelleher then asked a question of Director McRaith.

Discussion of National and Global Developments on Cybersecurity and the Insurance Sector

Chairman Glaser then introduced Raj Shah, Senior Director for Cybersecurity Strategy at Palo Alto Networks and Emile Monette, Director of Government-wide Cyber Security, Resilience, and Risk at the U.S. General Services Administration (GSA) to discuss the role of third-party vendors and the roles of both cyber security industry partners and the federal government in cyber security. Mr. Shah and his colleague Jon Davis (Palo Alto Network's Federal Chief Security Officer) presented on the key challenges of cyber security, controlling risk in infrastructure that a person does not own. Following the presentation, Director McRaith asked a question of Mr. Shah and Mr. Davis. Mr. Monette presented on the GSA's risk assessment, focusing on cybersecurity. Mr. Kelleher, Rep. Keiser, and Mr. Bock then asked questions of Mr. Monette.

Discussion of the Forms and Prevalence of Alternative Risk-Sharing Mechanisms

Next Chairman Glaser introduced Dr. John Seo, the co-founder and managing principal at Fermat Capital Management, and Jake Clark, a property treaty reinsurance broker with Guy Carpenter & Company, to discuss alternative risk-sharing mechanisms. Mr. Clark discussed the evolution of risk capital and the risk transfer market, concluding with how innovation in the business can help solve some challenges in the risk transfer space. Dr. Seo then discussed the role of alternative capital. Chairman Glaser, Ms. Bishop, and Mr. McGovern asked questions.

New Business

Prior to the Committee adjourning, Chairman Glaser raised the item of new business, certifying the minutes from the August 6, 2015 FACI meeting. The minutes were then certified.

Chairman Glaser then discussed new subcommittee assignments and welcomed the new members of the committee.

At 5:09 P.M., Chairman Glaser concluded the meeting.