

United States Senate

WASHINGTON, DC 20510

November 12, 2019

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Mnuchin:

Thank you for your continued work on promoting and protecting the U.S. insurance regulatory system in ongoing negotiations at the International Association of Insurance Supervisors. Specifically, we appreciate your public statements about the importance of a clear path to “comparability” prior to the formal vote on adoption of the Insurance Capital Standard (ICS 2.0) at the IAIS annual conference in Abu Dhabi in November. The parameters provided by Team USA should provide permanent guardrails and guarantee a clear pathway to formal recognition of the U.S. insurance regulatory system as “comparable” or “outcome equivalent” to the ICS. Those parameters should include the following, at a minimum: (1) “outcome equivalence” will not be based on a quantitative comparison of capital and take into account the distinctive characteristics of an aggregation approach compared to a market-adjusted approach; (2) a comparability evaluation, including application of any criteria, will provide for a fair and clear path for recognition of an aggregation approach; and (3) evaluation of outcome equivalence will be based on the totality of a regulatory regime.

If the IAIS fails to formally and publicly accept changes with respect to the ICS that reflect these parameters, Team USA should oppose adoption of the reference ICS.

Given the fundamental differences that exist between the U.S. state-based approach and that of the ICS, the determination of whether the U.S. approach is outcome equivalent to the reference ICS must necessarily be a principle-based or even a political determination, and not the result of a quantitative assessment. We are opposed to delaying that determination to the end of the five year monitoring period: delay leaves too much to chance. That is why your continued strong support is so critical to an acceptable outcome.

While we strongly support Treasury’s primary goal of achieving a clear pathway for formal recognition of the U.S. system as comparable, we also agree with the additional priorities of the Treasury Department during the course of ongoing discussions with the IAIS. Specifically, we support:

- Ensuring that the Monitoring Period of the ICS is an iterative process, and that as such, changes and refinements will continue to be made during it;

- Maintaining full confidentiality of ICS data and results during the monitoring period and ensuring third parties understand the preliminary nature of this exercise and do not in any way rely or act based on any results; and
- Allowing U.S.-based Internationally Active Insurance Groups (IAIGs) the flexibility of reporting either under the aggregation method or the reference ICS or both during the monitoring period.

Your longstanding work on these important issues and your coordination with other members of Team USA to advocate for necessary changes to the ICS is greatly appreciated. We look forward to continuing to work closely with you on this and to reviewing the upcoming outcome of the discussions in Abu Dhabi.

Thank you again for your commitment on this issue.

Sincerely,



TIM SCOTT
United States Senator



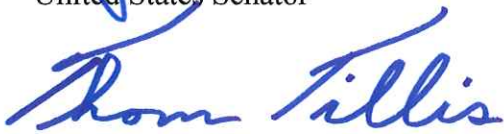
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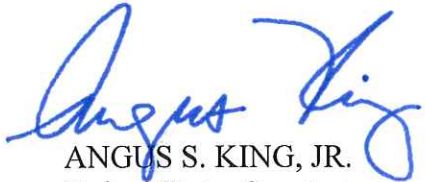
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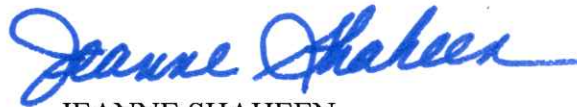
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PAT TOOMEY
United States Senator



JEANNE SHAHEEN
United States Senator

Cc: The Honorable Randal K. Quarles, Vice Chair for Supervision, Board of Governors of the Federal Reserve System; *Chair, Financial Stability Board (FSB)*

Cc: Mr. Eric A. Cioppa, NAIC President Superintendent, National Association of Insurance Commissioners

Cc: Mr. Raymond G. Farmer, NAIC President-Elect, National Association of Insurance Commissioners; *Director, South Carolina Department of Insurance*