



Federal Financial Analytics, Inc.

How New Rules Redefine U.S. Insurance

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Karen Petrou will today present the attached policy brief <http://bit.ly/18C0jtl> on the U.S. insurance regulatory framework and its strategic impact. The brief was requested by a summit at which top federal banking and insurance officials will join state regulators in debating what each thinks the right policy framework should be. Petrou's brief instead focuses on what it is, laying out how insurance has changed to rebut suggestions that claims-paying capacity is the principal risk driver for life, health, and property-and-casualty insurance companies.

The brief also notes the significant differences between the state rules designed to ensure that policy-holders are made whole and the prudential and resolution rules required by bank regulators. Where insurance is indeed traditional, claims-payment standards are appropriate; where not, not, as the brief describes. Indeed, even relatively traditional insurance companies take on non-policy risk due to activities like asset management and financial-market operations. Risks here have increased due to low interest rates and limited liquidity, as the brief also makes clear.

Because this presentation is designed not to identify policy initiatives, but rather strategic decision points, it also identifies winners and losers under the current regulatory framework. These conclusions are based on Federal Financial Analytics' practice advising both insurance companies (including systemically-designated ones) and banks seeking to compete with them in key products and services.

If you have any questions or would like to discuss this with Karen Petrou, please reply by return e-mail or call Arezou Rafikian at 202-589-0880.

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