

State Insurance Regulator Comments Regarding FSOC Proposed Rule and Guidance

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policies to individuals. For example, corporations are more likely to purchase complex types of insurance rather than just standard life or P&C policies.

There was also broad consensus that risk mitigation techniques should be examined as part of the analysis and taken into account beginning in stage 2 of the process. The regulators discussed how insurers' use of derivatives is primarily for hedging purposes and such hedges should be reflected in the analysis as a mechanism for managing or reducing risk. Some thought a different distinction should be made as between derivatives that are bought and those that are sold regardless of their use. Under this approach, derivatives sold would be of concern because the failure of the company selling the derivatives would be unable to meet its obligations it sold to others as protection, and therefore, have a greater impact on financial markets.