



By  
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The discovery of the Rosetta Stone by a team of Napoleon's archeologists in 1799 led to an historical "ah-ha" moment when it was realized that the 196 B.C. tablet was actually the key to cracking the code of the ancient Egyptian hieroglyphics.

Seldom before or since this finding has any such road map miraculously appeared on the scene to translate

chief Sheila Bair, meanwhile, has proposed a Systemic Risk Council, which would "prevent excessive leverage and the painful de-leveraging that follows."

And House Financial Services Committee Chairman Rep. Barney Frank (D-Mass.) wants a systemic risk regulator for firms that are "too interconnected to fail." He plans to include this new post in a broader regulatory package he hopes to pass by year-end.

At the end of the day, as of this writing, all of this chatter on Capitol Hill has amounted to no clear definition of how and to what extent insurance would fall under the definition of systemic risk or how the current regulation of insurance might be usurped by a so-called systemic risk regulator.

And while some seem to agree that such oversight might make sense for insurance sectors such as life insurance and reinsurance, no one has discounted the inclusion of the property/casualty industry in the mix.

As for the insurance industry and its proponents, the concept has its backers and opponents. State government groups, such as the National Association of Insurance Commissioners, are for it—as long as it doesn't disrupt the overall framework of the state-based regulatory regime. Others argue that most insurers, especially property/casualty companies or personal lines carriers, don't pose a systemic risk, loosely defined or otherwise.

No matter where one stands, there's much to be considered and all interested parties should ensure that politics does not supplant good public policy when it comes to the implementation of a systemic risk mechanism.

The current environment demands nothing less than a smart, enduring plan that prevents a repeat of the failings of past corrective reforms, without re-ordering what has been proven to work well.

You don't need a Rosetta Stone to realize that. **BR**

# Hieroglyphics In the Machine

Insurers scramble to decode the various proposals for a federal risk regulator.

the seemingly unanswerable.

As proposals for a new systemic risk regulator for "systemically important" nonbank institutions come to the fore, insurers very probably would welcome the finding of a Rosetta Stone-like device to explain the definition of "systemic risk."

At issue is the cacophony reverberating in Washington, D.C., as the question of systemic risk gets batted around by the Obama administration, Congress and an alphabet soup of government agencies.

In addition to several related proposals for a federal charter (optional or not) to create a federal role in the oversight of the insurance industry, the notion of a systemic risk regulator seems to be one of the top priorities for policy makers, but one whose definition has been less than clear.

Treasury Secretary Timothy Geithner has defined a systemic risk regulator as one who would be a "single entity with responsibility for systemic stability over major institutions and critical payment and settlement systems and activities."

Federal Deposit Insurance Corp.

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**Before deciding how to regulate systemic risk, Washington needs to define what it is.**