

INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE

International Insurance Relations (G) Committee Sept. 23, 2009, Minutes

International Report, September 2009, Issue No. 36, (Attachment One)

International Insurance Relations (G) Committee Strategy and Action Plan (Attachment Two)

NAIC International Insurance Relations Guiding Principles (Attachment Three)

International Insurance Relations (G) Committee 2010 Charges (Attachment Four)

International Insurance Relations (G) Committee, Aug. 5, 2009, Conference Call (Attachment Five)

International Insurance Relations (G) Committee
Washington, DC
September 23, 2009

The International Insurance Relations (G) Committee met in Washington, DC, Sept. 23, 2009. The following Committee members participated: Sandy Praeger, Chair (KS); Christina Urias (AZ); Gennet Purcell, represented by Phil Barlow (DC); J.P. Schmidt represented by Gordon Ito (HI); Ken Ross (MI); Ann Frohman (NE); Roger A. Sevigny (NH); Neil N. Jasey represented by Bob Kasinow (NJ); James J. Wrynn (NY); Kim Holland (OK); Alfred W. Gross (VA); and Jane L. Cline (WV). Also participating were Ray Spudeck (FL); Ralph Tyler (MD); John Huff (MO); and Scott Kipper (NV).

1. International Strategy and Action Plan Update

Commissioner Praeger referred the Committee to the International Report (Attachment One), which contains more detailed summaries of many of the issues on the agenda. Commissioner Praeger asked George Brady (NAIC) to present the suggested changes to the standing item in the agenda, the International Strategy and Action Plan (Attachment Two) and solicited comments from the Committee and interested parties. Mr. Brady pointed out one significant change, which was changing the internal referral of the International Association of Insurance Supervisors (IAIS) Insurance Contracts Group from the International Solvency and Accounting (EX) Working Group to the International Solvency (EX) Working Group and the International Accounting (EX) Working Group. Mr. Brady outlined non-substantive changes needed in other sections to update and clarify the remainder of the document and sought comments on the proposed changes.

Commissioner Praeger asked Mr. Brady to review the International Insurance Relations Guiding Principles. Mr. Brady said NAIC staff had incorporated comments received after the last Committee meeting into a tracking framework document (Attachment Three). He then outlined each principle and solicited general comments. Commissioner Holland suggested that Principles #2, #3 and #5 should be reworded for further clarity. Mr. Brady suggested that language in #5 reflected an interest in reconciling international best practices with domestic practices. Commissioner Praeger underscored that we are also trying to ensure that international practices are being developed based on domestic practices. Commissioner Holland motioned, and Commissioner Cline seconded, to adopt the guiding principles as amended. Commissioner Praeger sought industry comments. Lauren Scott (American Council of Life Insurers—ACLI) expressed the ACLI's continued interest in NAIC's international work. Ms. Scott stated that ACLI will continue to work with the NAIC to improve the state-based system of insurance regulation, while supporting the proposed optional federal charter. The motion passed unanimously.

2. Consider Adoption of Committee and Working Group Reports

Director Urias explained that the North American Free Trade Agreement (NAFTA) Working Group (Attachment Five) had submitted comments regarding the Notice of Proposed Rulemaking from the U.S. Department of Transportation (DOT). The Federal Motor Carrier Safety Administration (FMCSA, a department within the DOT) is proposing amendments to its regulations regarding the minimum levels of financial responsibility for motor carriers to allow Canada-domiciled carriers to maintain as acceptable evidence of financial responsibility, insurance policies issued by Canadian insurance companies. She provided a summary of the NAIC's comments and noted that the Canadian government had just filed a response responding to the NAIC comments. She explained that the NAFTA Trilateral meeting with the U.S., Canada and Mexico would be held Sept. 24 and would discuss, among other things, the DOT proposed rulemaking.

3. Discuss IAIS Strategic Planning

Commissioner Praeger explained that almost two years ago, the NAIC put forth a proposal for the IAIS to initiate strategic planning. The NAIC's proposal led to work that was done under a group that became the "New Focus Task Force," which Commissioner Praeger initially chaired. She noted that, unfortunately, that group ended up limiting its focus to developing a group solvency structure for internationally active insurance groups so the NAIC stepped down as chair, and continued to focus its attention on laying out a program of strategic planning for the IAIS. She said that there are several key challenges that the NAIC has pressed for the IAIS to address and, at their meetings in Chinese Taipei in June, the IAIS Executive Committee took on several of these issues:

- A review of "financial stability" issues related to the "lessons learned" from the recent economic turmoil.
- A review of priority concerns in the areas of standard setting and standard implementation.
- External relations and the expectations of members, observers and other key stakeholders.

- And, at the appropriate time, a review of the resources available to the IAIS—both internal and external sources.

Commissioner Praeger asked Yoshi Kawai (IAIS) to discuss some of these initiatives and give an overview of some of the issues that the IAIS is considering in connection with strategic planning.

Mr. Kawai expressed his appreciation of the NAIC’s active participation in international activities with the IAIS and the NAIC Solvency Modernization Initiative. Mr. Kawai also talked about the additional IAIS mandate to maintain international financial stability. He discussed the next day’s G20 Pittsburgh, Pennsylvania meeting where the G20 Leaders would focus on three key issues. These include:

- 1) Quality and quantity of capital;
- 2) Institutions considered “too big to fail” (systemically important); and
- 3) Remuneration.

Mr. Kawai explained that the IAIS work streams would be focusing on standard setting, financial stability and external relations, including a comprehensive review of Insurance Core Principles, developing macro-prudential tools and surveillance to promote financial stability, and implementation activities.

Commissioner Praeger asked if there were any questions for Mr. Kawai. Steve Broadie (Property Casualty Insurers Association of America—PCI) explained that PCI had been an IAIS observer for many years and appreciated the NAIC’s role in the IAIS. He asked at what point observers would be allowed to participate in the work of various IAIS initiatives, including the development of the common assessment framework (CAF) for insurance group supervision — which has, so far, been done in closed session. Mr. Kawai noted that the IAIS was currently undertaking a stocktaking, comparing and contrasting the various group supervision systems around the world. He said that the IAIS might hold a meeting for observers during the IAIS Annual Meeting in Rio de Janeiro, Brazil, during which time they would present the group’s initial findings. Mr. Broadie urged the IAIS to have more active discussions with the industry, instead of just reporting on the action they have already taken.

4. 2010 Committee Charges

Commissioner Praeger asked Mr. Brady to present the changes to the 2010 charges (Attachment Four). Mr. Brady presented the changes to the charges and noted that some members of the industry would like the NAIC to review our World Trade Organization (WTO) General Agreement on Trade in Services (GATS) reservations and develop a committee to look at this further. Ray Spudeck (FL) submitted written comments and Commissioner Praeger asked that any further comments be sent to Mr. Brady.

5. Report from Solvency Modernization Initiative (EX) Task Force

Commissioner Praeger noted that the NAIC has embarked on a comprehensive Solvency Modernization Initiative (SMI) that is reviewing capital requirements, regulation of reinsurance, group supervision and the use of supervisory colleges. She asked Commissioner Gross to provide a brief overview of some of the key projects under way at the SMI Task Force.

Commissioner Gross said that the SMI (EX) Task Force already met during the Fall National Meeting, with the following on its agenda: 1) Adopted its 2010 charges; 2) Heard an overview from Mary Weiss, Ph.D., of the NAIC/AIRA Symposium on U.S. Insurance Regulation, which took place in July; 3) Received a report on the Principles-Based Reserving (EX) Working Group; 4) Heard a report from the International Solvency (EX) Working Group, which reported that its IAIS tracking document would soon be available on the regulator-only StateNet system.

6. Joint Forum

Commissioner Praeger asked Mr. Spudeck to provide an update on the work of the Joint Forum. Mr. Spudeck reported that the work stream on special purpose entities has been adopted by its parent committees and is on the respective groups’ Web sites. The work stream on the differentiated nature and scope of regulation is coming to a finish. This work stream’s paper is scheduled to be delivered to the Joint Forum by the end of the year. The work stream on risk aggregation, diversification and modeling is well under way. The Joint Forum will hold its next meeting Nov. 9–10 in San Francisco.

7. Other Matters

Commissioner Praeger asked Ekrem Sarper (NAIC) to report on a proposed memorandum of understanding (MOU) with Brazil. Mr. Sarper reported that, following a training program delivered by the NAIC and Agência Nacional de Saúde Complementar (ANS—a Brazilian health insurance regulatory authority), the ANS requested an MOU between ANS and the NAIC. The primary objectives of this MOU would be to increase cooperation between the two groups.

Commissioner Praeger then reported on the recent delegation, led by Commissioner Cline with Commissioner Praeger, Commissioner Ario and NAIC staff Ekrem Sarper on the sidelines of the U.S.-China Insurance Dialogue. Commissioner Praeger asked Commissioner Cline to report on the dialogue. Commissioner Cline reported that the meeting was led by the U.S. Government and provided an opportunity for the U.S. insurance industry, the NAIC and the U.S. government to highlight and have pointed discussions on issues of common concern with the China Insurance Regulatory Commission (CIRC). She emphasized the close relationship the NAIC has with the CIRC and the positive discussions that ensued.

Having no further time to receive additional reports, the International Insurance Relations (G) Committee adjourned.

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NAIC AND STATE INSURANCE REGULATORS INVOLVED IN THE U.S. FSAP

The Financial Sector Assessment Program (FSAP), a joint International Monetary Fund (IMF) and World Bank program assessing the U.S. financial regulatory system, including insurance, is well under way. Supported by experts from a range of national agencies and standard-setting bodies, the FSAP has the following aims: (i) to identify the strengths and vulnerabilities of a country's financial system; (ii) to determine how key sources of risk are being managed; (iii) to ascertain the financial sector's developmental and technical assistance needs and (iv) to help prioritize policy responses.

As part of the FSAP process, the NAIC through its FSAP review group (consisting of a group of state regulators and NAIC technical and legal staff) completed a Self-Assessment this past August evaluating the extent to which US insurance regulatory practices are in observance with the 28 IAIS Insurance Core Principles. This Self-Assessment reflects a high level of observance by the US insurance regulatory system of each of these IAIS Insurance Core Principles.

In October of 2009 and then for another 2-3 weeks in January of 2010, the IMF will conduct field visits to the NAIC Washington DC and Kansas City offices as well as to several US state insurance departments to build on the results of the completed Self-Assessment. Meetings with the private sector (insurance companies) and trade associations will also be undertaken at this time. The FSAP forms the basis of Financial System Stability Assessments (FSSAs), in which IMF staff addresses issues of relevance to IMF surveillance, including risks to macroeconomic stability stemming from the financial sector and the capacity of the sector to absorb macroeconomic shocks. This FSSA is expected to be finalized and published in June/July 2010.

The NAIC FSAP review group will continue to oversee the NAIC's response to the FSAP and the various deliverables for the FSAP process going forward.

SUPERVISORY COLLEGES

U.S. state insurance regulators continue to participate in supervisory colleges for insurance-related entities around the world including for example ING, Zurich, Aegon and Swiss Re. Further, several US state regulators (with administrative and staff support by the NAIC) are also convening a supervisory college for one insurance-related entity with global insurance and reinsurance operations and identified by the Financial Stability Board (FSB) as an entity which could benefit from coordinated supervision. The first meeting of this supervisory college took place in April and its members included various U.S. states and foreign regulators. The meeting focused on procedural matters related to governance, process, timelines and information sharing agreements, in addition to the expectations and goals of the supervisory college. Another supervisory college meeting on more substantive issues is scheduled to take place in October so that involved supervisors can gain an enhanced understanding of the various entities involved including their inherent risks, financial positions and business activities. The intent is for this supervisory college to meet in person perhaps in conjunction with the NAIC 2010 Spring Meeting.

The NAIC will continue to evaluate the role of supervisory colleges and other methods of communication amongst cross-border and cross-sectoral supervisors with a Subgroup under the Group Solvency Issues Working Group of the Solvency Modernization Initiative (EX) Task Force charged with making recommendations for courses of actions relating to this issue.

US TREASURY EUROPEAN ATTACHÉ VISITS NAIC

Mr. Corrado Camera with the U.S. Mission to the European Union office in Brussels, Belgium visited with the NAIC international relations staff on September 16. The purpose of Mr. Camera's visit was to better familiarize himself with the key issues which the NAIC works on and to better understand the NAIC's needs in order to support the NAIC more effectively from Brussels on EU-related issues. Mr. Camera was also due to visit with a number of other regulatory agencies while in Washington.

Mr. Camera learned about the role and the work of the NAIC in the U.S. and received an overview on NAIC regulatory modernization efforts underway and the Solvency Modernization Initiative (SMI). Staff also discussed the NAIC's active participation internationally with the IAIS and OECD and the NAIC's relationship with the European Union insurance supervisors and policy makers.

Staff reinforced with Mr. Camera the NAIC's desire to continue to work closely with the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) as they develop implementing measures related to Solvency II, in particular with regards to equivalence. Staff agreed that the NAIC would hold regular calls with him and also with his colleague Mathew Haarsager who is also based in Brussels.

NAIC RESPONDS TO JAPANESE INDUSTRY REGARDING TRUSTEED SURPLUS

On September 4, in a letter to the General Insurance Association of Japan (GIAJ), Director Christina Urias, Arizona Department of Insurance, outlined the rationale and reasoning for U.S. *separate and distinct* trusted surplus requirements in response to GIAJ's letter from earlier this year following meetings regarding this issue in Tokyo, Japan in late 2008.

The letter detailed that regulating "without '*separate and distinct*' assets requirement would seriously compromise a State regulator's ability to monitor trusted surplus adequacy and protect consumers [and] the necessity of this concept is a prudential one and is non-discriminatory among all insurers." Director Urias also underscored the importance that the NAIC attaches to maintaining a continuing dialogue on these issues and offered to meet with the GIAJ the next time they are in Washington.

NAIC PARTICIPATES IN MEETINGS AT THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

Commissioner Cline (WV) participated in the Insurance and Private Pensions Committee (IPPC) of the Organization for Economic Cooperation and Development (OECD) on July 9 and 10 in Paris. Participants from the 30 Member countries and private sector representatives engaged in discussions on a number of issues, including the financial crisis, catastrophic risks, corporate governance, and the accession of Chile and Israel to the IPPC.

The IPPC discussed at length the financial turmoil and its effect on the insurance industry. Commissioner Cline presented information on the role of the State insurance commissioners during the turmoil emphasizing the conservative accounting and investment strategies required by the States and underscoring the stability of the 71 AIG insurance companies under the supervision of U.S. State insurance regulators. She also corrected misunderstandings related to the State guaranty funds and the system in place to oversee the winding up of a company. The U.S. delegation led by the Commerce Department also made a brief presentation on the current U.S. Treasury comprehensive plan for regulatory reform.

The IPPC also discussed corporate governance issues, related to the recently completed IAIS-OECD Issues Paper on the governance of insurers and survey report. The IPPC will now turn its attention to updating the OECD *Guidelines on Insurers' Governance*. The OECD will continue to cooperate with the IAIS during this work; however since the IAIS is updating its own Insurance Core Principles and timelines on both papers are not entirely aligned (OECD update due by mid 2010 vs. IAIS completion scheduled for October 2011), it will be difficult to fully coordinate these efforts.

The IPPC also received a number of presentations from other jurisdictions on financial education as part of the work related to draft good practices on financial education and insurance intermediation. The next OECD IPPC meeting is scheduled for December 3rd & 4th in Paris.

NAIC WARNS THAT U.S. DEPARTMENT OF TRANSPORTATION PLAN COULD PLACE U.S. INSURANCE CONSUMERS AT RISK

The NAIC's North American Free Trade Agreement (NAFTA) Working Group recently reviewed a proposal to loosen the requirement on Canadian motor carriers and discovered that the changes could leave U.S. citizens financially exposed in the event of a traffic incident. The proposed rule by the Federal Motor Carrier Safety Administration (FMCSA) (part of the Department of Transportation) would allow Canadian trucks and buses entering the U.S. to present evidence of their Canadian insurance to show "financial responsibility," circumventing insurance regulations in the U.S.

In a comment letter submitted on the proposal, the NAIC asserted that the FMCSA plan lacks "any ongoing prudential supervision that is necessary to ensure the ability of these Canadian insurers to pay U.S. claims when they are due. Canadian insurers should meet the same standards that we require of U.S. insurers."

To protect U.S. consumers from any unnecessary financial obligations, the NAIC recommends:

- Insurers of Canadian motor carriers operating in the U.S. submit quarterly financial filings for review by state regulators.
- State regulators receive immediate notification if a Canadian insurer of a cross border motor carrier encounters financial difficulty.
- Canadian insurers designate an agent in the U.S. that claimants in the states can contact for service of legal process.

A full copy of the letter can be obtained on the NAIC NAFTA Working Group page:

http://www.naic.org/documents/committees_g_naic_response_fmcsa_nprm.pdf

NAIC PROVIDES TRAINING FOR BRAZILIAN INSURANCE REGULATORS

The Brazilian Regulatory Authority - SUSEP (Superintendence of Private Insurance) hosted US regulatory and NAIC staff in mid-August. Alan Seeley (New Mexico Department of Insurance) and Sherry Flippo of the NAIC gave a three-day presentation in August in Rio de Janeiro to the Brazilian insurance regulatory authorities (SUSEP and ANS) on how State regulators conduct insurance solvency regulation in the United States. RBC, risk-focused financial examinations, the role of actuaries, reinsurance modernization and the Solvency Modernization Initiative (SMI) were among the topics covered. The technical training helped to further strengthen the communication between Brazilian and U.S. regulators. At the conclusion of the seminar, the Brazilian health insurance regulatory authority (ANS) expressed its interest in entering into a Memorandum of Understanding (MOU) with the NAIC which the International (G) Committee will discuss at its upcoming meeting.

**NAIC INTERNATIONAL INTERN PROGRAM CONTINUES TO FLOURISH:
100th INTERN TO PARTICIPATE IN UPCOMING CLASS**

In late October, the NAIC will welcome 13 interns to its International Intern Program, including regulators from Azerbaijan (1), China (5), Egypt (2), Saudi Arabia (2), Thailand (2) and Zambia (1). The NAIC developed the program in 2004 to advance working relationships with foreign market regulators, emphasizing the exchange of regulatory techniques and technology.

Since the program’s inception, 91 interns from 19 countries have completed the training. Twenty-three jurisdictions have hosted international interns; they include: Alabama, Arkansas, California, Colorado, District of Columbia, Georgia, Hawaii, Illinois, Kentucky, Maryland, Massachusetts, Montana, Nebraska, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Puerto Rico, Texas, Washington, and West Virginia.

The seven-week program - which is conducted twice a year - includes a week in Kansas City for orientation and five weeks in a host state for more specialized training. Host jurisdictions for the fall 2009 program include Florida, Hawaii, Maryland, Michigan, New York, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Vermont and West Virginia. Florida, Michigan, South Carolina and Vermont are first time hosts.

To enhance the experience of the interns and to expose them to the broader spectrum of the NAIC, the interns will attend the NAIC Winter National Meeting and will attend a variety of insurance related meetings to share experiences with other non-US regulators hosted by other states. The program concludes in Washington, DC with a debriefing program, a seminar on industry – regulator relations by the U.S. insurance industry and a ceremonial graduation dinner to highlight the interns’ accomplishments. The NAIC internship program is conducted twice a year – spring and fall.

Timeline for Fall 2009 program

NAIC Headquarters, Kansas City, Missouri Training: Dates: October 26– 30
Host State—State Insurance Department Week 1: November 2 – 6 Week 2: November 9 –13 Week 3: November 16 – 20 Week 4: November 23 –27 Week 5: November 30 – December 4
NAIC National Meeting – San Francisco, CA Dates: December 5 – 8
Closing Activities - Washington, DC Dates: December 9 – 11

*If your state is interested in hosting an International Intern in 2010,
please contact Ekrem Sarper (esarper@naic.org.)*

BRAZIL TO HOST IAIS ANNUAL CONFERENCE 2009



The 16th IAIS Annual Conference will be hosted by the SUSEP, the Brazilian Superintendence of Private Insurance in Rio de Janeiro, Brazil October 21-24. The conference provides an excellent opportunity for representatives of the insurance profession to exchange views on new developments. The theme will be "Insurance as a Means of Socio-Economic Development" and will cover the following issues:

- Insurance as a Means of Socio-Economic Development
- Lessons from the crisis - for supervisors and the insurance industry
- A new international supervisory architecture
- Promoting sound insurance markets
- Financial literacy and consumer protection
- Global developments in solvency regulation and supervision
- Corporate Governance and risk management
- Co-operation among supervisors

For additional information, please see <http://www.iais2009.org/>.

A small delegation from the NAIC will participate in IAIS Committee meetings preceding the Conference. Among them, Commissioner Gross and McCarty and NAIC CEO Terri Vaughan will take part in conference presentations.

NAIC MEET WITH JAPANESE SERVICES NEGOTIATOR

On September 11, NAIC Staff met with Mr. Tokuro Furuya, Director for Services Trade in the Ministry of Foreign Affairs, his staff Ms. Yuko Akita, Mr. Keiichi Higuchi from the Embassy of Japan, Daniel Lee, Director for Japan Affairs, Office of the U.S. Trade Representative (USTR) and Eric Holloway, Director for APEC Affairs, USTR.

The delegation from Japan visited the NAIC to learn more about the U.S. insurance regulatory system more generally and to learn about efforts to harmonize regulations across the States. This was the second visit by the Japanese Ministry of Foreign Affairs who found their previous visit with the NAIC to be

very useful. NAIC staff participating included Ethan Sonnichsen, Tom Montgomery, George Brady & Sara Dubsy with the IIPRC.

NAIC MEETS WITH CHINA INSURANCE REGULATORY COMMISSION ON MULTIPLE OCCASIONS SINCE JUNE

Since June, the NAIC has met with the China Insurance Regulatory Commission (CIRC) on three separate occasions. In late June an NAIC delegation led by Commissioner McCarty (FL) and Gross (VA) and NAIC staff George Brady and Ekrem Sarper held a formal dialogue with the Chairman of the CIRC Mr. Wu Dingfu and a number of his colleagues.

On September 8th, Commissioner Tyler (MD) and NAIC International Relations staff met with a Vice Chairman of the CIRC Mr. Yang Mingsheng and 5 other deputies to discuss issues of mutual interest.

On September 9th, NAIC President Elect Commissioner Cline led a delegation including Commissioners Praeger (KS) and Ario (PA) and NAIC staff Ekrem Sarper in meeting with the first Vice Chairman of the CIRC Mr. Li Kemu. The meeting in Dalian, China was on the sidelines of the U.S. China Insurance Dialogue (see report below).

At each of these meetings topics discussed included:

- Coordination between the state insurance regulators and the other financial regulatory agencies.
- Consolidation of banking/securities/insurance into one regulatory body in light of the financial crisis.
- Will the regulatory reform proposed by Treasury Secretary Tim Geithner change the system of insurance regulation in the U.S.?
- What actions will insurance regulators take against companies in crisis?
- How are insurance regulators cracking down on insurance fraud? What level of cooperation is there between the regulator and the judicial system?
- Extension of the MOU between the CIRC & NAIC.
- Executive level leadership seminar for senior CIRC officials.

The next meeting with the CIRC is scheduled to be held during the upcoming IAIS Annual Meeting.

NAIC PARTICIPATES IN US-CHINA INSURANCE REGULATORY DIALOGUE

Chair of the International Committee, Commissioner Sandy Praeger (KS), President Elect Commissioner Cline (WV) and Commissioner Ario (PA) traveled to Dalian, China to participate in the US-China Insurance Dialogue on September 10. The meeting was led by the US government and

provided an opportunity for the US insurance industry, the NAIC and the US government to highlight and have pointed discussions on issues of common concern with the CIRC.

Commissioner Cline delivered opening remarks at the start of the event. Commissioner Praeger gave a presentation on new insurance developments in United States, which focused on the evolution of the U.S. solvency system, the Solvency Modernization Initiative, Regulatory Modernization including Reinsurance Regulatory Modernization Act. Commissioner Ario presented on Regulatory Reform during a Global Financial Crisis and the Consideration of Systemic Risk and Group Supervision.

TAIWAN FINANCIAL SUPERVISORY COMMISSION AND NAIC MEET IN CHINESE TAIPEI TO DISCUSS REGULATORY COOPERATION AND MOU

While attending the IAIS Triannual Meeting in Chinese Taipei in June, an NAIC delegation led by Commissioner McCarty (FL) and Gross (VA) and NAIC staff George Brady and Ekrem Sarper met with the Taiwan Financial Supervisory Commission (FSC). The FSC was represented by Director General George Shiu, Deputy Director-General Wu Chung-Chuan, District Chief Ya-Yuang Liao, Assistant Director General James Chang.

The group discussed various topics including the financial crisis, its impact on companies in Chinese Taipei & U.S., the importance of regular dialogue between regulators and the assistance that the NAIC can provide the FSC. Preliminary discussions were also held with regards to an MOU and information was exchanged on the potential for future cooperation. Discussions with the FSC continue with the next meeting taking place at the upcoming IAIS Annual Meeting in Brazil in late October.

IAIS COMMITTEES AND SUBCOMMITTEES: UPDATE

Established in 1994, the IAIS represents insurance regulators and supervisors of some 180 jurisdictions in more than 130 countries, constituting 97% of the world's insurance premiums. With the growth and importance of insurance and standard setting, the IAIS now has more than 100 observers from the private sector, academia, and international organizations.

The IAIS Triannual Conference was held June 24-25 2009 in Taipei and NAIC participants included Commissioners McCarty (FL) and Praeger (KS); and NAIC staff. The IAIS Annual Meeting will be held in Rio de Janeiro, Brazil in October.

Executive Committee [Commissioners Praeger (KS), Cline (WV), McCarty (FL); Gross (VA)]

- Discussed plans for the 2009 Annual Conference program in Brazil.
- Approved a recommendation for research into the design and practicality of a Common Assessment Framework for insurance group supervision under a new working group. On the basis of the outcome of this exercise, the Executive Committee will assess the merits of further advancing the process of developing a common assessment framework for insurance group supervision.
- Agreed that strategic planning discussions should encompass standard setting, financial stability, standard implementation, and external relations and key stakeholder expectations, and that any work with regard to reassessment of resources would follow.

- With regard to financial stability concerns, the Financial Stability Task Force will develop proposals on macroprudential tools for use in specific jurisdictions as well as ideas regarding a possible role for the IAIS in macroprudential surveillance.
- Considered several changes to the IAIS by-laws for adoption at the 2009 Annual General Meeting. One proposed change would clarify the position of the NAIC on the Executive Committee, allowing a seat to be held by NAIC.
- Requested that the Implementation Committee prepare a proposal for further work on the operational aspects of crisis management and supervisory resolution of cross-border entities in trouble.
- Agreed to hold further discussions on ways to enhance Observer participation in IAIS activities.

Budget Committee

- Received a report on the 2008 financial statements which were audited by Deloitte.
- Reviewed a request from the Implementation Committee for additional funding for activities, and requested additional information from that Committee before deciding whether to change the allotment.
- Agreed to changes designed to enhance the budget process with regard to the Annual Conference.

Technical Committee [Commissioner Gross (VA), Chair]

- Continued its discussion of the financial crisis and key risks and trends in light of events and reactions in various jurisdictions.
- Approved the draft Issues Paper on Corporate Governance as amended during the meeting, and pending additional comments from the OECD Insurance Committee.
- Endorsed a draft note to the Financial Stability Board (FSB) on the experience of the insurance sector with the use of supervisory colleges. Also approved for broad comment release of a draft Guidance Paper on Supervisory Colleges.
- Discussed several issues brought forward with regard to the work of the Insurance Core Principles Coordination Group. Specifically, the Committee reinforced the mandate that the process not reopen previously agreed issues in standards.
- Agreed to receive for approval after the meeting by written procedure the Accounting Subcommittee Issues Paper on the Roles of and Relationship between the Actuary and the External Auditor.
- Agreed that the Insurance Groups Subcommittee should develop a short-term approach to crisis management, focusing on the draft FSB principles.
- Did not object to the Insurance Groups Subcommittee proceeding with the development of the Group-Wide Supervision Framework guidance paper.
- Reaffirmed the need for the Solvency and Insurance Contracts Subcommittees to coordinate their work on valuation issues through the Joint Working Group.

Financial Stability Task Force [Commissioner Gross (VA)]

- Discussed issues related to an IAIS response to reports from G20 Working Group 1 (enhancing sound regulation and strengthening transparency) and Working Group 2 (reinforcing international cooperation and promoting integrity in financial markets) with the goal of conveying several major points:

- i. Clarifying IAIS role with regard to addressing macroprudential concerns.
 - ii. Addressing appropriate regulation of internationally active insurance groups.
 - iii. Identifying and addressing regulatory gaps.
 - iv. Supervisory cooperation through MMOUs and the use of supervisory colleges.
 - v. Technical assistance.
- Developed recommendations on further work by the IAIS in response to work on capital requirements for the banking sector; FSB principles on remuneration; and macroprudential issues

Accounting Subcommittee

- Met on September 4, 2009 in Toronto, Canada.
- As the ICSC over-ran, it only discussed modifications to ICP 26 on disclosure and the consolidation and revision to the current three standards on disclosure.

Insurance Contracts Subcommittee [Rob Esson - NAIC – Chair]

- Met on July 13-15, 2009 in Edinburgh, Scotland. Discussed changes to the Financial Instruments standards and the content of a presentation by Rob Esson to the joint IASB/FASB boards in July. Held joint discussions with Solvency on IAIS valuation summary of requirements and guidance, resulting in a more palatable summary of requirements from a US point of view.
- Met by conference call on August 6 & 26, 2009 to draft and finalize letters to the IASB on an expected loss model for impairment, and own credit standing in liability measurement.
- Met September 2-4, 2009 in Toronto, Canada. Entire time spent drafting a response to the IASB on Financial Instruments classification and measurement. The response was inclusive of banking regulators views but presented the particular views of the insurance sector.

Governance and Compliance Subcommittee [Director McRaith (IL)]

- Met in Bahrain on July 13-14 to review the ICPs allocated to it (6, 7, 9, 10, 18, 19) using the outline drafts created by the individual subgroups as a basis for the work.
- The subcommittee discussed the suggested topics and wording under each of the work streams.
- Each subgroup took the feedback from the Bahrain meeting and incorporated it into their next drafts of material, which were reviewed at the next subcommittee meeting in Montreal, Canada September 8 – 9.
- At the Montreal meeting, the group received a presentation from the Canadian Life & Health Insurance Association regarding corporate governance. The group then continued its review of the 6 ICPs assigned to it.

Insurance Groups & Cross-Sectoral Issues Subcommittee [Commissioner McCarty (FL)]

- Met in Madrid on September 9-11.
- Received updates from members on developments in group-wide supervision in their jurisdictions.
- Discussed the Guidance paper on the Role of a Supervisory College, including the review of IAIS interested member and party comments. Minor revisions were made to the paper and then the Subcommittee agreed to seek the approval of the Executive and Technical Committees to submit the guidance paper for adoption by the October 2009 Annual Meeting. This paper will be reviewed by

the NAIC's Group Solvency Issues (EX) Working Group for appropriateness and exposed for NAIC interested regulator or party comments.

- Discussed the Guidance paper on the treatment of non-regulated entities, the Guidance paper on crisis management and supervisory resolution of cross-border entities and the Guidance paper on supervisory recognition (formally known as equivalence assessment). Revisions were made to all of the draft papers. Additionally, the Subcommittee provided direction to the drafting groups for further additions and revisions. Ray Spudeck (FL) and David Vacca (NAIC) are participating in the drafting groups for non-regulated entities and supervisory recognition.
- Addressed the ICP (Insurance Core Principles) Review and Coordination Process, including an update on the meeting of the IAIS ICP Coordination Group and the resulting additional standard setting revisions that followed, as well as specific discussions on ICPs 5 (Supervisory cooperation and information sharing) and 17 (Group-wide supervision).
- Discussed further development of Group Supervision Framework (GSF) and provided direction to the drafting group.
- Received an update that the Basel Committee on Banking Supervision has published a consultative document on the *Report and recommendations of the Cross-border Bank Resolution Group*.
- Discussed 2010-2011 roadmap, as well as the next Subcommittee meeting in Basel, Switzerland on November 3-5, 2009. Additionally, NAIC is considering sponsoring a 2010 Subcommittee meeting during the week of September 6th, 2010 in Washington, DC.

Insurance Fraud Subcommittee [Commissioner Kim Holland (OK)]

- Met in Basel, Switzerland on July 21 and discussed revised roadmap and work plan for 2010.
- Began revising ICPs 27 (Fraud) and 28 (AML/CFT) and introduction of related Standards
- Continued review and revision of relevant supervisory papers as part of ICP review (e.g. Guidance papers on Anti-money laundering and combating the finance of terrorism, Combating the misuse of insurers for illicit purposes, Preventing, detecting and remedying fraud in insurance) – to be completed in 2010.

Market Conduct Subcommittee [Commissioner Kim Holland (OK)]

- Met on July 22 in Basel, Switzerland and discussed a revision of ICPs 24 and 25.
- The group discussed outlines for the Standards and Guidance Papers on Intermediaries, Pre-sale process.
- The group met again in Montreal, Canada on September 10 – 11 where the group discussed updated versions of the outlines and discussed the first draft of the guidance paper on intermediaries.
- The next meeting is scheduled for 14-15 December in Cairo, Egypt.

Reinsurance and Other Forms of Risk Transfer Subcommittee and Reinsurance Mutual Recognition Subgroup [Bob Kasinow (NJ)]

- Met on June 22-23 in Taipei, Chinese Taipei. The U.S. made a presentation on the Reinsurance Regulatory Modernization Framework Proposal and related legislative efforts, which was met with interest from the other countries present.

- *Mutual Recognition.* There were continued discussions on the current supervisory recognition issues and the next steps towards appropriate supervisory recognition. A theme discussed was that the current financial and economic crisis could pose concerns for increased barriers to supervisory cooperation and recognition.
- *Survey on Market Access Requirements for Reinsurers Worldwide.* Members of the IAIS Secretariat reported on the answers received so far from the survey on market access requirements for reinsurance companies. The results of the survey will be summarized into two categories, responses from supervisors and from other interested parties. A preliminary summary of the results will be collected and compiled by the Secretariat in time to be discussed at the September RSC meeting.
- The Subcommittee is currently working on revisions to the related ICP, Standards and Guidance papers on reinsurance and other forms of risk transfer. Participants reviewed the draft Guidance paper, which encapsulates both the guidance and standard material. Revisions of this draft will be circulated prior to the next meeting.
- *Global Reinsurance Market Report (GRMR) Mid-Year Edition.* The Subcommittee is currently working on a paper on insurance securitization, for both life and non-life products. It was decided to split the paper along two elements—one of a current and topical nature that would be used for the mid-year GRMR report, and the other in the nature of a guidance paper to be used as other supervisory papers produced by the Subcommittee.

Reinsurance Transparency Group [Bob Kasinow (NJ)]

- In addition to the mid-year Global Reinsurance Market Report (GRMR) report on current developments in insurance securitizations, the Subgroup will also be publishing a year-end report in its traditional format. The IAIS has identified the GRMR as work that relates to FSB and G20 reports, which includes recommendations that international bodies be more proactive on macroprudential issues and market analysis.

Solvency and Actuarial Issues Subcommittee (SSC) [Anne Kelly (NY)]

- SSC met in Madrid, Spain during September 7-9.
- IAIS Secretariat presented a draft revised structure of the Insurance Core Principles (ICP), in particular ICPs 14, 15, and 16 which need to be addressed by the SSC. The SSC will develop a proposal to address the revised ICPs and supporting standards.
- Further discussion was held regarding the Valuation of Assets/Liabilities project. The SSC chair will present to Technical Committee a proposal to seek a deferral on this project until 2011 since little progress has been made by the Joint Valuation group due to staffing/resources.
- The Standard and Guidance papers on Capital Resources were adopted by way of written procedure. Despite this recent adoption, the Standard on Capital Resources will be merged with the Standard on Capital Requirements into one "Capital Adequacy" Standard, but the Guidance papers on these two items will remain separate.
- Discussion was held regarding the expansion of the various solvency papers (which are largely on a "solo", legal entity, perspective) into "group" papers. Unresolved issues regarding process, definition of "group supervision", drafting approach, jurisdictional authority, among others, remain outstanding.

- Canada reported that revised Standard and Guidance papers on Investments have eliminated a discussion of Asset/Liability Matching (ALM); ALM has been incorporated into the Enterprise Risk Management papers.
- The U.S. submitted further revisions to its draft paper on Supervisory Monitoring by separating it into two documents: 1) Supervisory Reporting, and 2) Supervisory Review.

Implementation Committee

- Met in Taipei, Chinese Taipei June 24 & 26 and discussed the proposed self assessment and peer review process and referred it to the Executive Committee for further discussion.
- The Charter of the Access to Insurance Initiative was discussed and recommended to be sent to the Executive & Budget committee for approval to sign.
- The group discussed the proposed medium & long term education strategy which includes new/enhanced delivery channels including an interactive version of the Core Curriculum.
- An update was provided on upcoming regional seminars and also on the Insurance Laws Database (ILD). The group was informed that the ILD tool needed to be updated to attract greater use and The IAIS has approximately CHF 100,000 available budget for the redevelopment of the ILD.
- The Chair of Multilateral Memorandum of Understanding (MMOU) Interim Signatories Working Group, presented the current status of the IAIS MMOU.
- The Chair tabled a first draft of the Roadmap for Standard Implementation Activities 2010-2011.
- The next meeting will be in Rio de Janeiro, Brazil in October.

Implementation Activities Approval Subcommittee

- Met in Taipei, Chinese Taipei June 24 and received a report on budget requests for training seminars.
- The group also received a report on the Development of the interactive (CD/DVD) version of the Core Curriculum, translation of various IAIS papers, proposed self assessment and peer review process and the medium and long term education strategy.
- The next meeting will be in October during the Triannual Meetings in Rio de Janeiro, Brazil.

Task Force on Information Gathering and Analysis (TFIG)

- Met by conference call on May 29 and approved postponing the completion of the Application Paper on Information Gathering to October 2010.
- Discussed the allocation of tasks to the TFIG members & Workplan for 2009-2010.

Regional Coordination Subcommittee

- Met in Taipei, Chinese Taipei June 24 and received Report on regional cooperation and training needs in the regions.
- Discussed closer cooperation with the insurance laws subcommittee with regards the insurance laws databases and other activities of the insurance laws subcommittee.
- Report on the insurance laws databases and other activities of the insurance laws subcommittee.

- Discussion on the various educational initiatives, received an update on the enhanced translation initiative, the use of teaching notes and the development of case studies.

IAIS-MIN Joint Working Group on Microinsurance [Commissioner Oxendine (GA)]

- Meeting took place in Taiyuan, China on July 16-17.
- The Charter of the Access to Insurance Initiative is expected to be signed by all the sponsors shortly.
- The first draft of the Issues paper on the Role of Mutuals, Cooperatives, and Community based institutions in Microinsurance is under preparation and it shall be discussed during the next meeting in Dakar, Senegal in November 2009. The paper is due to be presented to IAIS Technical Committee in February 2010 before circulation for wider comments.
- The work related to drafting Standards on regulation and supervision of microinsurance is awaiting inputs from the IAIS work on revision of ICPs, and the paper is now slated for adoption in October 2011 - first draft to be ready by October 2010.
- At the upcoming IAIS Annual Meeting in Rio de Janeiro, the Subgroup on Microinsurance, comprising of IAIS members shall have an information session on October 21, 2009.
- The next meeting of the Joint Working group will take place in Senegal on November 3-5 back to back with the 5th International Microinsurance Conference jointly organized by the Micro Insurance Network and Munich Re Foundation.
- The tentative meeting locations for 2010 shall be: February (Hyderabad, India); May (Rio); September (Africa -TBD) and November (Indonesia (TBC)

Insurance Laws, Regulations, Practices & Standards Subcommittee

- Met by conference call on May 11 and discussed expanding the access of the Insurance Laws Database to non IAIS Members.
- Discussed improving the existing Insurance Laws Database
- The next meeting will be held in December in Paris, France.

NAIC International Calendar
(**Bold** denotes active NAIC participation)

2009			
June 19	CEA Int'l Insurance Conference	Brussels, Belgium	CEA
June 22-23	IAIS Reinsurance Subcommittee & Mutual Recognition Sub Group	Chinese Taipei	IAIS, FSC
June 23	IAIS Global Seminar	Chinese Taipei	IAIS, FSC
June 23-24	Joint Forum	Berlin, Germany	BaFin
June 24-26	IAIS Triannual Meetings	Chinese Taipei	IAIS
June 27-28	IASB Insurance Working Group	London, UK	IASB
June 30-July 1	CEIOPS Member Meeting	Poland	CEIOPS
July 8-10	G-8 Leaders Summit	L'Aquila, Italy	
July 9-10	OECD– Insurance and Private Pensions Committee (IPPC)	Paris, France	OECD
July 10	IASB Financial Crisis Advisory Group	New York	IASB
July 13-14	IAIS Governance & Compliance Subcommittee	Manama, Bahrain	IAIS
July 13-15	IAIS Insurance Contracts Subcommittee	Edinburgh, Scotland	IAIS
July 13-16	IAIS Solvency & Actuarial Issues Subcommittee	Edinburgh, Scotland	IAIS
July 20-24	IASB Meeting	London, UK	IASB
July 20-21	IAIS Insurance Fraud Working Group	Basel, Switzerland	IAIS
July 22	IAIS Market Conduct Subcommittee	Basel, Switzerland	IAIS
July 27	IASB Financial Institutions Advisory Group	London, UK	IASB
July 27-28	US – China Strategic and Economic Dialogue	Washington, DC	
August 11-12	IRES Seminar	Baltimore, MD	IRES
August 28-29	IAIS Working Party Chairs & ICP Coord.	Basel, Switzerland	IAIS
August 28-29	Financial Stability Board Steering Committee	Basel, Switzerland	FSB
September 1-4	IAIS Accounting and Insurance Contracts Subcommittee	Toronto, Canada	IAIS
September 3	Financial Stability Task Force	Basel, Switzerland	FSB
September 4-5	G-20 Ministerial	London, UK	
September 9	US-China Insurance Dialogue	China	USTR
September 7-9	IAIS Solvency & Actuarial Issues Subcommittee	Madrid, Spain	IAIS

September 8-9	IAIS Governance & Compliance Subcommittee	Montreal, Canada	IAIS
September 8-9	IAIS Ad Hoc Working Group for the review of IAIS standard implementation and assessment	Basel, Switzerland	IAIS
September 9-12	IAIS Insurance Groups & Cross-Sectoral Issues Subcommittee	Madrid, Spain	IAIS
September 10-11	IAIS Market Conduct Subcommittee	Montreal, Canada	IAIS
September 14-18	IASB Meeting	London, UK	IASB
September 15-18	IAIS Regional Seminar for Supervisors from Central and Eastern Europe	Moscow, Russia	FSIS Russia, IAIS, OSFI
September 21-24	IAIS Taking Action When Things Go Wrong	Bridgetown, Barbados	OSI Barbados, IAIS, OGIS
September 21-24	NAIC Fall National Meeting	Washington, DC	NAIC
September 22-23	IAIS Insurance Laws, Regulations, Practices and Standards Subcommittee	Basel, Switzerland	IAIS
September 22-25	IAIS Regional Seminar on Risk Based Solvency and Supervision	Santiago de Chile, Chile	SVS Chile, IAIS, FSI, ASSAL
September 23-24	IAIS Reinsurance Subcommittee and Mutual Recognition Subgroup	Washington, DC	IAIS
September 24-25	G-20 Summit	Pittsburgh, PA	
September 24-26	OECD Conference on Financial Management of Large-Scale Catastrophes	Bangkok, Thailand	OECD
September 25-29	IAIS Regional Seminar on Supervisory Issues for Senior Officers of Insurance Supervisors	Kathmandú, Nepal	IB Nepal, IAIS
September 29-30	CEIOPS Consultative Panel Meeting	Frankfurt, Germany	CEIOPS
October 3	G-7 Ministerial	Turkey	
October 5-8	IAIS Regional Seminar on Effective Insurance Supervision	Accra, Ghana	NIC Ghana, IAIS, FSI
October 6-7	IMF/World Bank annual Meetings	Turkey	
October 19-24	IAIS Triannual Meetings/Annual Conference	Rio de Janeiro, Brazil	SUSEP/IAI S
October (during Triannual Mtg)	IAIS Reinsurance Subcommittee and Mutual Recognition Subgroup	Rio de Janeiro, Brazil	SUSEP/IAI S

October 27-29	India Financial and Economic Forum	India	
October 29-30	CEIOPS Member Meeting	Germany	CEIOPS
November 3-5	IAIS Insurance Groups and Cross-Sectoral Issues Subcommittee	Basel, Switzerland	IAIS
November 4-5	IAIS Insurance Contracts Subcommittee	London, UK, UK	IAIS
November 7-8	G-20 Ministerial	Scotland	
November 9-10	Joint Forum	San Francisco, CA	
November 17-18	CEIOPS Conference	Frankfurt, Germany	CEIOPS
November 23-26	IAIS-ASSAL Training Seminar	Lima, Peru	SBS, IAIS, ASSAL, FIDES
December – 1 st wk	IAIS Reinsurance Subcommittee	Hyderabad, India	IAIS
December 1-3	IAIS Accounting and Insurance Contracts Subcommittees	Tokyo, Japan	IAIS
December 3-5	OECD – Insurance and Private Pensions Committee (IPPC)	Paris, France	OECD
December 5-8	NAIC Winter National Meeting	San Francisco, CA	NAIC
December	IAIS Solvency & Actuarial Issues Subcommittee	San Francisco, CA	IAIS
December 15-17	IAIS Market Conduct Subcommittee	Cairo, Egypt	IAIS
December 16-17	IAIS Insurance Fraud Working Group	Cairo, Egypt	IAIS
2010			
January	IAIS Reinsurance Subcommittee	Hyderabad, India	IAIS
January 2	IAIS Governance & Compliance Subcommittee	Basel, Switzerland	IAIS
February 24-26	IAIS Triannual Meetings	Basel, Switzerland	IAIS
March 27-30	NAIC Spring National Meeting	Denver, CO	NAIC
April	IAIS Reinsurance Subcommittee	Hamilton, Bermuda	IAIS
April 19-22	ASSAL XXI Annual Assembly	Santiago, Chile	ASSAL
June 3-4	OECD - Insurance and Private Pensions Committee (IPPC)	TBD	OECD
June 21-22	IAIS Global Seminar	TBD	IAIS, Financial Supervisory Commission
June 23-25	IAIS Triannual Meetings	TBD	IAIS
August 14-17	NAIC Summer National Meeting	Seattle, WA	NAIC

September	IAIS Reinsurance Subcommittee	London, UK	IAIS
October 24-29	IAIS Triannual Meetings/Annual Conference	Dubai, UAE	IAIS
October	IAIS Reinsurance Subcommittee	Dubai, UAE	IAIS
TBD	NAIC Fall National Meeting	Washington, DC	NAIC
2011			
October	IAIS Triannual Mtgs / Annual Conference	Seoul, Korea	IAIS

List of Abbreviations

AFIRC	Arab Forum of Insurance Regulatory Commissions	NAFTA	North American Free Trade Agreement
AITRI	ASEAN Insurance Training & Research Institute	NCOIL	National Conference of Insurance Legislators
ASSAL	Association of Latin American Insurance Supervisors	OCC	Office of the Comptroller of the Currency
BIS	Bank for International Settlements	OECD	Organization for Economic Cooperation and Development
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors	OGIS	Offshore Group of Insurance Supervisors
CIRC	China Insurance Regulatory Commission	WTO	World Trade Organization
EU	European Union		
FSF	Financial Stability Forum		
FSI	Financial Stability Institute		
FSWG	Financial Sector Working Group		
GATS	General Agreement on Trade in Services		
IAIS	International Association of Insurance Supervisors		
IASB	International Accounting Standards Board		
IAA	International Actuarial Association		
IIF	Institute for International Finance		
IFC	International Finance Corporation		
IOPS	International Organization of Pension Supervisors		
IOSCO	International Organization of Securities Commissions		
MENA	"Middle East and North Africa"		

National Supervisory Authorities:

Belgium	Commission Bancaire, Financiere et des Assurances (CBFA)
India	India Insurance Regulatory and Development Authority (IRDA)
Italy	(ISVAP)
Korea	Financial Supervisory Service (FSS)
Japan	Financial Services Agency (FSA)
UK	Financial Supervisory Authority (FSA)
France	French Supervisory Authority (ACAM)
Brazil	Supervisory Authority of Brazil (SUSEP)
Australia	Australian Prudential Regulatory Authority (APRA)
Hungary	Hungarian Financial Supervisory Authority (HFSA)

The “International Report” is produced by the International Relations Staff of the NAIC (for the use of NAIC members). If you would like further information regarding any of the issues addressed in these articles, please contact the NAIC’s Office of Government and International Relations in Washington, DC at:

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For copies of this and past editions of the International Report, and other information on the International Insurance Relations (G) Committee, visit: http://www.naic.org/international_insurance

NAIC INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE: STRATEGY & ACTION PLANS¹

- I. INTERNATIONAL STANDARD SETTING*
- II. INTERNATIONAL TRADE*
- III. REGULATORY COOPERATION*

I. INTERNATIONAL STANDARD SETTING

International Association of Insurance Supervisors

The International Association of Insurance Supervisors (IAIS) is the principal international organization of insurance supervisors, engaged in creating international standards of insurance supervision, and implementing the standards in the member jurisdictions (over 100 countries).

Action Plan

- 1) **Priorities:** The International Insurance Relations (G) Committee establishes internal referrals to the relevant NAIC committees; updates the IAIS priority list, and recommends policy guidance.
- 2) **Representation:** With input from the G Committee, the Officers appoint NAIC representatives to IAIS “priority” committees:
 - a. Executive - Cmsrs. Cline, McCarty; George Brady (support: George Brady)
 - b. Budget – **TBD**
 - c. Technical – Cmsr. Gross [chair], **TBD** (support: NAIC/DC, NAIC/FRS)
 - d. Reinsurance – **TBD** (support: Ryan Couch, Dan Schelp; Ekrem Sarper)
 - e. Solvency – Joe Fritsch, Lou Felice (NY) (support: Kris DeFrain)
 - f. Insurance Contracts (Accounting) – Rob Esson [chair], Ramon Calderon (CA)
 - g. Governance & Compliance Subcommittee – Dir. McRaith (support: Ekrem Sarper, Dan Daveline)
 - h. Insurance Groups & Cross-Sectoral Issues Subcommittee – Ray Spudeck (FL) (support: David Vacca; Gita Timmerman)
 - i. Financial Stability Task Force – Cmsrs. Gross, McCarty (support: George Brady)
 - j. Common Assessment Framework Task Force – Cmsr. Gross, Dir. Frohman, Rob Esson (support: George Brady)

¹ Last updated: September 22, 2009

k. Joint Working Group on Microinsurance – Cmsr. Oxendine (support: Gita Timmerman).

3) **Policies:**

a. Standard Setting: The NAIC will:

- i. Promote U.S. regulatory principles, and critically review alternatives, in the development of international standards for insurance supervision;
- ii. Volunteer to participate in IAIS training seminars with international insurance experts in MOU jurisdictions;¹ and
- iii. Consult with U.S. industry and consumers in the development of policy positions.

b. Administration: The NAIC will:

- i. Oversee the structure of annual dues consistent with NAIC interests;
- ii. Urge further coordination with OECD and FSB on role in market surveys and analysis; and
- iii. Sponsor a “seconded” (state insurance department or NAIC staff) to support the IAIS and:
 1. To improve the administration and transparency of the organization; and
 2. To ensure the proper representation of U.S. interests in IAIS actions.

¹ MOU Countries: Brazil, China, Egypt, Hong Kong, Iraq, Russia, South Korea, Thailand, Vietnam & ASSAL.

1) **Internal referrals** of IAIS sub/committees to related NAIC committees:

- a. *Executive, Technical, and Common Assessment Framework Task Force* to International Insurance Relations (EX) Leadership Group and G Committee;
- b. *Financial Stability Task Force* to International Insurance Relations (G) Committee;
- c. *Governance & Compliance* to Principles-Based Reserving (EX) Working Group Corporate Governance Subgroup;
- d. *Implementation Committee, Regional Coordination, Joint Working Group on Microinsurance* to International Regulatory Cooperation (G) Working Group;
- e. *Insurance Contracts (Accounting)* to International Solvency & Accounting (EX) Working Group;
- f. *Insurance Core Principles Coordination Group* to International Insurance Relations (G) Committee;
- g. *Insurance Fraud* to Anti-Fraud (D) Task Force;
- h. *Insurance Groups* to Group Solvency Issues (EX) Working Group & Supervisory College Subgroup;

- i. *Market Conduct Subcommittee* to Market Regulation & Consumer Affairs (D) Committee;
- j. *Reinsurance* to Reinsurance (E) Task Force;
- k. *Solvency* to International Solvency & Accounting (EX) Working Group.

2) **NAIC representation:**

a. *Priority 1 committees* (Commissioner or senior department staff as principal representative):

- Executive
- Technical
- Budget
- Solvency
- Insurance Contracts
- Reinsurance
- Reinsurance Transparency
- Governance & Compliance
- Working Party Chairs
- Insurance Groups
- Insurance Core Principles Coordination
- Financial Stability Task Force
- Market Conduct
- Microinsurance
- Common Assessment Framework

b. *Priority 2 committees* (NAIC staff as principal representative):

- Implementation
- Fraud
- Accounting

c. *Priority 3 committees* (NAIC staff to monitor):

- Laws & Regulations
- Pension Coordination
- Regional Coordination

Organization for Economic Cooperation & Development (OECD)

The Insurance and Private Pensions Committee (IPPC) of the Organization for Economic Cooperation and Development (OECD) gathers 31 developed countries in semi-annual meetings to discuss a variety of issues. The U.S. delegation is headed by the U.S. Department of Commerce, with participation by the NAIC and representatives from the U.S. private sector.

Action Plan

At the **OECD IPPC meetings**, the NAIC should:

- 1) Report on regulatory and market developments of interest and relevance to IPPC members;
- 2) Influence the development of insurance sector studies and analyses to ensure a fair and accurate representation of the U.S. system;
- 3) Support private sector efforts to encourage OECD work in the creation of well-regulated, competitive insurance markets, and education on the benefits of insurance to economic development; and

- 4) Oppose OECD initiatives which overlap with international standard setting undertaken at the IAIS or Joint Forum, or which are inconsistent with the U.S. regulatory system.

Joint Forum

The Joint Forum is comprised of banking, securities and insurance regulators from the Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO) and the IAIS. The Joint Forum is focused on the analysis of regulatory issues that apply across the financial sectors.

Action Plan

- 1) The International (G) Committee should:
 - a. Provide input to the Officers on selection of a Commissioner to attend all meetings of the **Joint Forum** as representative of the IAIS; and
 - b. Influence the research and development of papers on cross-sectoral financial regulatory issues.
- 2) The NAIC participation, and comments on draft projects, should be coordinated by the International Insurance Relations (G) Committee, with input from other NAIC committees.

Financial Stability Board

The Financial Stability Board (FSB) convenes financial sector regulators and policymakers from highly developed countries², and representatives of international bodies³ including the Basel Committee, IOSCO, and the IAIS.

The United States is represented by the Federal Reserve Board, the U.S. Department of Treasury and the Securities and Exchange Commission (SEC).

In the past, the NAIC participated in FSB meetings as chair of the IAIS, representing the insurance sector. Whenever the NAIC does not chair the IAIS Executive Committee, the NAIC should seek to participate as a member of the U.S. delegation to the FSB.

Action Plan

The NAIC should:

² United States, Canada, Japan, Australia, United Kingdom, Germany, France, Italy, Singapore, Hong Kong, Spain, European Commission.

³ International Financial Institutions (World Bank, International Monetary Fund (IMF), Organization for Economic Cooperation and Development (OECD)), International Regulatory and Supervisory Groupings (IAIS, IOSCO, BCBS, Financial Action Task Force (FATF), Joint Forum, International Federation of Accountants (IFAC)) Committee on the Global Financial System, European Central Bank.

- 1) Continue to cooperate with U.S. regulatory agencies on the **Financial Stability Board** delegation;
- 2) Participate actively in the IAIS Financial Stability Task Force; and
- 3) Seek inclusion of the NAIC in the U.S. delegation to the FSB meetings.

II. INTERNATIONAL TRADE

NAIC interacts regularly with the Office of the U.S. Trade Representative (USTR) to advise the trade negotiators of U.S. insurance regulatory practices in the context of multilateral (General Agreement on Trade in Services (GATS)), regional, and bilateral trade agreements.

In connection with U.S. trade negotiations, the NAIC should work closely with the U.S. industry and federal trade officials to fully understand:

- U.S. industry's business objectives in other countries
- The regulatory structure in place; and
- The U.S. government's overall trade policies.

Action Plan

The NAIC should assist in the efforts of U.S. industry and the U.S. government to:

- Open and maintain competitive, transparent, well-regulated markets;
- Enhance the stability of regulatory practices in those countries;
- Eliminate unnecessary "reservations" to U.S. trade commitments; and
- Enhance consumer protections.

NAFTA

The NAFTA Subgroup coordinates the NAIC's participation in the NAFTA Trilateral Insurance Working Group and the Financial Services Committee in the context of NAFTA and the Security and Prosperity Partnership.

Action Plan

The NAIC should continue to participate in the **NAFTA** Trilateral Insurance Working Group to address cross-border insurance issues with Mexico and Canada.

Policy: With regard to discussions involving regulation of cross-border insurance:

- The NAIC should preserve the rights of states to supervise insurance in U.S., while exploring opportunities for “mutual recognition” with Canada and Mexico; and
- The NAIC should work toward eliminating unnecessary barriers to cross-border insurance in North America.

III. REGULATORY COOPERATION

The NAIC engages in regulator-to-regulator dialogues with non-US regulators as a way of addressing issues of mutual concern. The principal objectives of these discussions are to facilitate information needs regarding cross-border insurance services; to coordinate policy and standard setting activities; and to address current regulatory issues and debates.

Action Plan

- 1) **Europe:** The NAIC should maintain regular (minimum twice per year) regulator-to-regulator dialogues with EU insurance supervisors to address issues of mutual concern and to:
 - a. Educate each other about our regulatory systems, and discuss domestic regulatory issues;
 - b. Determine if there are opportunities for “mutual recognition”;
 - c. Coordinate EU and NAIC involvement in international fora, such as IAIS, OECD, Joint Forum, and FSF;
 - d. Explore ways of achieving convergence of insurance supervision; and
 - e. Facilitate exchange of information among regulators to enhance domestic regulation.
- 2) **Other Countries:** The NAIC should meet often with regulators from other countries, according to a priority list and as issues arise.
 - a. Priority countries include: Japan, Switzerland, Hong Kong, India, Egypt, Vietnam, South Korea, Brazil, China, Russia, ASSAL (Latin American region), and Thailand.
- 3) **Other Dialogues:** The NAIC should participate in fora on international financial and regulatory policy together with other U.S. financial regulators.
 - a. Where financial regulatory “principals” participate, the NAIC should be represented by a Commissioner or senior department staff; and
 - b. Where financial regulators are represented by staff, NAIC should be represented by NAIC International Relations staff.

Technical Assistance

The NAIC should engage in meaningful technical assistance activities, preferably in collaboration with (and funded by) other organizations (e.g., World Bank). Opportunities arise throughout the year to participate in training programs abroad.

The NAIC has signed 10 Memoranda of Understanding for regulatory cooperation with insurance supervisors around the world, including with: Iraq, Egypt, Russia, Brazil, China, Vietnam, Hong Kong, Korea, the ASSAL (Association of Latin American Insurance Supervisors) and Thailand.

The NAIC also conducts an International Internship Program, which, since 2004, has placed insurance regulators from other countries in state insurance departments for on-the-job training. Initially instituted pursuant to an MOU with the China Insurance Regulatory Commission, since the program's inception, **91 interns from 19 countries** have completed the training. **Twenty-three jurisdictions** have hosted international interns; they include: Alabama, Arkansas, California, Colorado, District of Columbia, Georgia, Hawaii, Illinois, Kentucky, Maryland, Massachusetts, Montana, Nebraska, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Puerto Rico, Texas, Washington, and West Virginia.

Since the China-Pilot program began in 2004, the following countries have participated in the NAIC's International Intern Program: Albania, Armenia, Bosnia, Brazil, British Virgin Islands, Bulgaria, China, Chinese Taipei, Egypt, India, Jordan, Korea, Lebanon, Thailand, Saudi Arabia, Serbia, Singapore, Russia and Vietnam.

Action Plan

1. The NAIC should continue to offer an **International Internship Program** for non-US regulators twice per year.
 - a. Participants cover their own costs;
 - b. NAIC provides a scholarship program for up to 50% of interns' costs (two scholarships per semester per year);
 - c. NAIC covers the costs (lodging) of five interns from China Insurance Regulatory Commission (CIRC) through 2009; and
 - d. NAIC contributes in kind in the form of an orientation program in Kansas City, and overall program management.
2. NAIC should participate in **training programs** abroad:
 - a. When they coincide with Member participation in local meetings (e.g., IAIS training seminars held in conjunction with triannual meetings); or,
 - b. When they involve MOU countries.

3. Representatives:
 - a. NAIC should be represented at **technical assistance meetings** by Commissioners and Senior Department Staff, according to:
 - i. Prior participation in meetings with the jurisdiction's regulators; and
Special language or other relation to the jurisdiction.
 - b. NAIC Staff should provide to the Officers three candidates to choose from; and
 - c. Prior to agreeing to participate, NAIC Staff should determine whether costs are covered by the host, or whether another source of funding from a government or non-profit entity is available.
4. NAIC should develop an **International Training Curriculum** for delivery to non-US regulators and encourage the participation of non-U.S. regulators in existing NAIC training programs.

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**NAIC INTERNATIONAL INSURANCE RELATIONS
 GUIDING PRINCIPLES
 Comments Tracking Framework
 September 19, 2009**

Guiding Principle (as of August 24, 2009)	Comments Received	Proposed Resolution
<p>1. As regulators of the world's largest insurance market, and for the benefit of the U.S. consumers-and the U.S. insurance industry, the NAIC should actively represent the U.S. insurance sector internationally.</p>	<p>[Illinois] As regulators of more than forty-percent (40%) of the world's insurance market -- largest in the world by a margin of 4 to 1 -- and for the benefit of the U.S. consumers-and the U.S. insurance industry, the NAIC should actively represent the U.S. insurance sector internationally.</p> <p>[Oklahoma] Change "Should" to "Shall"</p> <p>[ACLI] As regulators of some of the largest insurance markets in the world, and for the benefit of U.S. consumers and the U.S. insurance industry, the NAIC should actively represent internationally the fifty six sub-national regulatory jurisdictions which are NAIC members. The NAIC and its members should consult and coordinate with U.S. federal level regulatory and policy officials.</p>	<p>1. As regulators of more than forty-percent (40%) of the world's insurance market -- largest in the world by a margin of 4 to 1 -- and for the benefit of the U.S. consumers-and the U.S. insurance industry, the NAIC shall actively represent the U.S. insurance sector internationally.</p>
<p>2. The NAIC should actively promote/advance the sound establishment of either uniform or at least comparable consistent insurance regulatory principles which may be based on US standards and framework globally where appropriate.</p>	<p>[Oklahoma] The NAIC shall actively promote the sound establishment of global insurance regulatory principles that are uniform or comparable and consistent with US standards and framework where appropriate.</p> <p>[ACLI] Consistent with the strong transparency and administrative procedures safeguards of U.S. state and</p>	<p>2. Consistent with the strong transparency and administrative procedures safeguards of U.S. State and federal administrative procedures laws the NAIC shall actively promote the establishment of sound global insurance regulatory principles, which promote sound and open insurance</p>

	<p>federal administrative procedures laws the NAIC should actively promote the establishment of either uniform or at least comparable consistent insurance regulatory principles internationally which promote sound and open insurance markets worldwide. These should set forth the critical aspects of a well functioning insurance regulatory and supervisory regime – independence, accountability, transparency, integrity, and market responsiveness.</p>	<p>markets worldwide.</p>
<p>3. The NAIC supports the development of best practices and benchmark sound international standards of insurance supervision.</p>	<p>[Oklahoma] The NAIC shall actively support and participate in the development of best practices and progress benchmarks for sound international standards of insurance supervision.</p> <p>[ACLI] Proposed deletion of this bullet</p>	<p>3. The NAIC shall actively support and participate in the development of best practices and progress benchmarks for sound international standards of insurance supervision.</p>
<p>4. The NAIC should critically review proposed international standards for compatibility with U.S. regulatory policies as they exist or as they may evolve.</p>	<p>[Illinois] The NAIC should critically review and comment upon proposed international standards for compatibility with U.S. insurance regulation as that regulation exists or evolves.</p> <p>[Oklahoma] Proposed international standards, as they exist or as they evolve, shall be critically reviewed by the NAIC for compatibility with U.S. regulatory policies.</p> <p>[ACLI] The NAIC should critically review proposed international standards for compatibility with U.S. state regulatory policies as they exist or as they may evolve, with due consultation and coordination with the appropriate U.S. federal regulatory and policy officials.</p>	<p>4. The NAIC shall critically review and comment upon proposed international standards for compatibility with U.S. State regulatory policies as they exist or as they may evolve.</p>
<p>5. The NAIC should coordinate</p>	<p>[Illinois]</p>	<p>5. The NAIC shall coordinate</p>

<p>international policies and positions with domestic initiatives and regulatory practices.</p>	<p>The NAIC should coordinate and harmonize international policies and positions with domestic U.S. regulatory policies and practices.</p> <p>[Oklahoma] Bullet was unclear as to what was being coordinated.</p> <p>[ACLI] Within the NAIC’s policy development process, the NAIC should coordinate international policies and positions with domestic initiatives and regulatory practices.</p>	<p>international policies and positions with domestic initiatives and regulatory practices.</p>
<p>6. The NAIC should regularly measure/assert compliance with international standards.</p>	<p>[Illinois] The NAIC should regularly measure compliance by its members and by other international jurisdictions (?) with international standards.</p> <p>[Oklahoma] The NAIC shall regularly measure States compliance with international standards.</p> <p>[ACLI] The NAIC should regularly measure U.S. state compliance with IAIS standards, and should make this information available to the public.</p>	<p>6. The NAIC shall regularly measure States compliance with international standards.</p>
<p>7. The NAIC should actively engage interact with other U.S. financial regulators to ensure consistent and coordinated input into international policy dialogues.</p>	<p>[Oklahoma] Change “Should” to “Shall”</p> <p>[ACLI] Change “Interact” to “Consult”</p>	<p>7. The NAIC shall actively interact with other U.S. financial regulators to ensure consistent and coordinated input into international policy dialogues.</p>
<p>8. The NAIC should actively promote international financial stability of the insurance sector.</p>	<p>[Illinois] The NAIC should actively promote international financial stability of the insurance sector as both an independent industry and as part of the global financial marketplace.</p>	<p>8. The NAIC shall actively promote international financial stability of the insurance sector as both an independent industry and as part of the global financial marketplace.</p>

	<p>[Oklahoma] Change “Should” to “Shall”</p> <p>[ACLI] The NAIC should actively promote international financial stability of the insurance sector in coordination with U.S. federal regulatory and policy officials and industry.</p>	
<p>9. The NAIC should provide technical assistance to insurance regulators in developing markets, [in the adoption of consistent/sound practices which may be based on US standards.]</p>	<p>[Illinois] The NAIC should provide technical assistance to insurance regulators in developing markets and other jurisdictions wherein regulation continues to evolve.</p> <p>[Oklahoma] Change “Should” to “Shall”</p> <p>[ACLI] The NAIC should provide technical assistance to insurance regulators in developing markets in coordination with U.S. federal regulatory and policy officials and industry.</p>	<p>9. The NAIC shall provide technical assistance to insurance regulators in developing markets and other jurisdictions wherein regulation continues to evolve.</p>
<p>10. The NAIC should engage with U.S. trade officials and industry in the creation and maintenance of open, competitive, well-regulated markets around the world.</p>	<p>[Oklahoma] Change “Should” to “Shall”</p> <p>[ACLI] The NAIC should support U.S. trade officials and industry in the creation and maintenance of open, competitive, transparent, well-regulated markets around the world in coordination with U.S. federal regulatory and policy officials and industry. This should include regular review of U.S. state regulations that discriminate between domestic and globally owned companies to judge the prudential need for these measures or agree upon their removal.</p>	<p>10. The NAIC shall engage with U.S. trade officials and industry in the creation and maintenance of open, competitive, transparent, well-regulated markets around the world.</p>
<p>11. The NAIC should promote insurance regulation to be on par with other financial services</p>	<p>[Illinois] The NAIC should promote insurance regulation to be of equal standing with other financial services sectors.</p>	<p>11. The NAIC shall promote equal standing for insurance-sector regulatory bodies amongst other</p>

<p>sectors.</p>	<p>[Oklahoma] The NAIC shall promote equal standing for insurance-sector regulatory bodies amongst other financial services sector regulatory bodies.</p> <p>[ACLI] Recommend insertion of following footnote: "On par" references the competitive position of U.S. insurance and reinsurance companies relative to similar financial services, including mutual recognition of federal regulation.</p>	<p>financial services sector regulatory bodies.</p>
	<p>[ACLI] Proposed new bullet #1: NAIC members recognize the constitutional and statutory limitations of state executive branch authorities and of the NAIC as a non-governmental trade association.</p>	<p>Noted</p>

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Draft 2010 CHARGES

INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE

The mission of the International Insurance Relations (G) Committee is to strengthen the international insurance regulatory system and provide a forum for cooperative efforts between the NAIC, international regulators, and multinational associations of regulators on issues of mutual interest. The Committee also provides support to the federal government in insurance related international trade issues.

Ongoing Support of NAIC Programs, Products, or Services:

1. Monitor discussions with trading partners by United States Trade Representative (USTR) officials regarding multilateral trade agreements through the World Trade Organization (WTO), including the General Agreement on Trade in Services (GATS), and bilateral trade negotiations by attending meetings with appropriate federal representatives and reviewing and commenting on documents generated through the trade discussions. Continue to work with USTR on the GATS by coordinating and facilitating the compilation of offers and requests and participating in the dialogues and information exchange that accompany these WTO trade talks. Timetable is dependent on federal government, but Committee will report status at each national meeting. Also assist USTR, Department of Commerce, Treasury Department and other U.S. officials as requested by responding to requests for information, and engage in implementation efforts under existing trade agreements—*Essential*
2. Participate in the Joint Forum and the Financial Stability Forum by attending meetings to include U.S. regulators in discussions of issues of significance to insurance commissioners, and developing NAIC policy and commenting on guidance and principles papers of common interest including liquidity risk management, enhanced disclosure, reinsurance, regulatory and market convergence, and other aspects of cross-sectoral coordination and cooperation on financial supervision and surveillance—*Essential*
3. Appoint the NAFTA Working Group to continue to monitor the insurance aspects associated with the North American Free Trade Agreement (NAFTA) and the Security and Prosperity Partnership (SPP). Work to enhance the availability and affordability of cross border motor carrier insurance, including trucking, personal auto and bus, and the associated topics of health and workers compensation insurance, and related legal developments. Coordinate state efforts to meeting U.S. trade objectives through coordination with the TriNational insurance Working Group and the NAFTA Financial Services Committee; and through insurance training programs and ongoing research of the laws and regulations of Canada, Mexico, and the U.S. to work toward increased harmonization and uniformity and the creation of a seamless market— *Essential*
4. Participate in the Organization for Economic Cooperation and development (OECD) Insurance and Private Pensions Committee and subcommittee meetings, held in summer and winter at the invitation of the U.S. government, by attending meetings, drafting and commenting on insurance related papers, acting as a coordinating body in the completion of statistical questionnaires, and presenting the U.S. system of insurance regulation—*Essential*
5. Develop NAIC policy and participate in the work of the International Association of Insurance Supervisors (IAIS) by attending Executive, Technical, Solvency and Actuarial Issues, Budget Reinsurance and Other Forms of Risk Transfer, Insurance Contracts (Accounting), Governance & Compliance, Microinsurance and other relevant committee and subcommittee meetings. Enhance transparency at the IAIS and facilitate the drafting and commenting on papers that hold a common topical interest including solvency, accounting, reinsurance, enhanced disclosure and other aspects of regulation of the business of insurance. Also, attend the IAIS annual conference and interim meetings, present relevant topics at regional training programs, and provide efficient and effective technical assistance—*Essential*

6. Appoint the International Regulatory Cooperation Working Group to strengthen international regulatory systems by interacting with international regulators, reviewing proposed laws and regulations for insurance supervisors in countries changing their regulatory structure and those with emerging economics, conducting educational (technical assistance) seminars to provide an understanding of the U.S. system of regulation, and establishing internship opportunities between U.S. and foreign insurance regulatory bodies. In furtherance of this objective, regularly consult with insurance supervisors from other jurisdictions. Communicate regularly and establish working relationships with the U.S. Government, the private sector, and international organizations to coordinate efforts whenever possible to provide more efficient and effective technical assistance—*Essential*

Sponsors for 2010 Charges
(Except as noted, I support all charges)

Sandy Praeger
Kansas

Alfred W. Gross
Virginia

Jane Cline
West Virginia

Staff Support: George M. Brady/Ekrem Sarper/Gita Timmerman

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Draft: 8/18/09

International Insurance Relations (G) Committee
Conference Call
August 5, 2009

The International Insurance Relations (G) Committee met via conference call Aug. 5, 2009. The following Committee members participated: Sandy Praeger, Chair (KS); Christina Urias (AZ); Thomas E. Hampton (DC); Ken Ross represented by Joe Garcia (MI); Ann Frohman represented by Bruce Ramage (NE); Kermitt Brooks represented by Steve Nachman (NY); Kim Holland (OK); Alfred W. Gross represented by Van Tompkins (VA); and Jane Cline (WV).

1. Discuss the NAFTA Working Group Letter to Federal Motor Carrier Safety Administration

Commissioner Praeger asked Director Urias, chair of the NAFTA Working Group, to present the Working Group's recommendations to the Committee. Director Urias stated that the Working Group recommended that the Committee approve a letter in response to a Notice of Proposed Rulemaking (NPRM) by the Federal Motor Carrier Safety Administration (FMCSA). The NPRM would amend FMCSA regulations regarding the definition of acceptable "financial responsibility" for commercial freight and passenger motor carriers to include insurance provided by insurers duly authorized by Canadian federal or provincial regulators. She underscored that it seems that the FMCSA might not have fully considered how the proposed rule change would undermine important consumer protections provided by U.S. state insurance commissioners. She asked whether there were any comments from those on the conference call.

Mr. Nachman expressed concern that the section in the letter related to surplus lines would undercut the arguments raised earlier in the letter about the importance of guaranty funds. Director Urias explained that this section was included as a response to comments filed previously by the National Association of Professional Surplus Lines Offices (NAPSLO) and responses to their filing from the Insurance Bureau of Canada and the FMCSA. She suggested deleting the sentence: "This expedient approach would in fact place Canadian insurers at an advantage over domestic U.S. insurers because surplus lines insurers have reduced regulatory requirements." She also suggested inserting reference to "over the NPRM" in the sentence "This solution would also improve consumer protections because, as a surplus lines insurer, the Canadian insurer would have to post a bond or trust fund in the United States (in either a national bank or a member of the Federal Reserve System) to protect policyholders and U.S. consumers." Mr. Nachman agreed with that approach.

David Snyder (American Insurance Association—AIA) mentioned that AIA would be submitting comments in support of the NPRM. Director Urias underscored the importance of state insurance regulators filing a statement, because FMCSA had not considered all of the relevant factors. George Brady (NAIC) asked how AIA would be commenting in regard to the impact of the proposed rule change on the consumer protections provided by state insurance regulatory oversight. Mr. Snyder explained that he had distributed the NPRM to AIA members, indicating that the AIA would file comments in support of the proposed rule change. He also mentioned that there is not true mutual recognition on passenger vehicles going into Canada, so there is not total alignment (as the Canadians claim).

Director Urias made a motion to recommend that the NAIC submit the letter to the FMCSA. Commissioner Holland seconded the motion, which passed unanimously.

Having no further business, the International Insurance Relations (G) Committee adjourned.

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