

## **INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE**

International Insurance Relations (G) Committee Dec. 6, 2009, Minutes

International Report, December 2009, Issue No. 37, (Attachment One)

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

International Insurance Relations Cooperation (G) Working Group Dec. 6, 2009, Minutes (Attachment Three)

Extract from International Insurance Relations (G) Committee Strategy & Action Plans (Attachment Three-A)

NAIC International Intern Program (Attachment Three-B)

Proposed Dates for 2010 Internship Program (Attachment Three-C)

Proposed International Training Curriculum Insurance Regulation and Supervision in the United States Agenda  
(Attachment -D)

International Insurance Relations (G) Committee  
San Francisco, CA  
December 6, 2009

The International Insurance Relations (G) Committee met in San Francisco, CA, Dec. 6, 2009. The following Committee members participated: Sandy Praeger, Chair (KS); Christina Urias (AZ); Gennet Purcell (DC); J.P. Schmidt represented by Gordon Ito (HI); Michael T. McRaith (IL); Ken Ross (MI); Ann Frohman represented by Christy Neighbors (NE); Roger A. Sevigny (NH); Neil N. Jasey represented by Robert Kasinow (NJ); James J. Wrynn (NY); Kim Holland (OK); Alfred W. Gross (VA); and Jane L. Cline (WV). Also in attendance were Ralph Tyler (MD); Robert Easton and Mike Moriarty (NY); and Kevin McCarty and Ray Spudeck (FL).

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 a few minor changes, primarily related to adding two newly formed International Association of Insurance Supervisors (IAIS) committees to the priority list (Financial Stability Committee and Internal Structure Working Group) and changing support staff for the reinsurance and solvency subcommittees. Mr. Brady also noted that the NAIC would not be renewing its seconded to the IAIS in 2010; therefore, that policy objective was deleted. Mr. Brady also noted that the internal referral of the Common Assessment Framework Task Force was being changed to include the International Insurance Relations (EX) Leadership Group. Mr. Brady outlined non-substantive changes to the Regulatory Cooperation section and sought comments on the proposed changes.

2. Consider Adoption of Committee and Working Group Reports

Mr. Easton presented the International Regulatory Cooperation (G) Working Group report (Attachment Three) and explained that the Working Group met earlier in the day and discussed updates to the Regulatory Cooperation Section of the NAIC International Strategy and Action Plan. An amended version of the International Strategy and Action Plan was presented to the Working Group and accepted. The Working Group also discussed revised dates for the NAIC International Internship Program in 2010. The Working Group also received an update on the fall 2009 internship program, which included 11 participants: one from Azerbaijan, five from China, two from Egypt, one from Saudi Arabia and two from Thailand. The Working Group discussed a proposed new international curriculum modeled around the introduction to the U.S. insurance regulation and supervision system that participants in the International Internship Program receive in Kansas City. Working Group members received a report regarding the recently held meeting of the IAIS Micro-Insurance Network (MIN) Joint Working Group held in Dakar, Senegal, in November and received reports on bilateral and regional developments, focused on Asia and Latin America, from NAIC staff and the American Council of Life Insurers (ACLI).

Director Urias explained that the North American Free Trade Agreement (NAFTA) Working Group had continued to work on the Notice of Proposed Rulemaking from the U.S. Department of Transportation (DOT) to amend 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 explained that the group was closer to an understanding with Canada, but that there were still two recommendations outstanding. She referred the Committee to the International Report (Attachment One) for further information on those.

3. Discuss IAIS Strategic Planning

Commissioner Praeger explained that the IAIS had made great progress in recent years securing its role as the international standard-setter for insurance. Last year, the NAIC recommended that the IAIS undertake a strategic review to closely consider the nature of its work, its priorities and its resources. After some misunderstanding — including regarding the NAIC's motivations for this review — the IAIS Executive Committee has been reviewing its strategic direction.

Mr. Brady reported on this strategic review. Mr. Brady explained that the IAIS was undertaking a strategic review in the following areas: 1) Financial stability, including developing macroprudential tools; 2) Standard setting, including development of a Common Assessment Framework; 3) Standard implementation, including peer review; and 4) External relations in ensuring responsiveness to the stakeholders, including the Financial Stability Board (FSB); and 5) IAIS resources, which will follow a closer evaluation of projects under way and priorities.

Yoshi Kawai (IAIS) gave a report and provided his insights into this important process. Mr. Kawai outlined the successful annual meeting of the IAIS in October, where the IAIS Executive Committee discussed its approach for the review of the strategic direction of the IAIS. It received an interim report from the IAIS Common Assessment Framework Task Force, outlining several options regarding research into the design and practicality of a common assessment framework for insurance group supervision and narrowed down the options on which the Task Force will further elaborate in its final report to the IAIS Executive Committee in January 2010.

Mr. Kawai explained that the Financial Stability Task Force discussed several key issues, including a proposed mandate to formalize the creation of a permanent Financial Stability Committee to coordinate all relevant IAIS activities designed to promote global financial stability; the proposed paper on the insurance sector and systemic risk, which was endorsed for consideration by the IAIS Executive Committee; the draft financial stability framework, which will guide future priorities and work plans; the development of macroprudential tools and surveillance and a related Insurance Core Principle; and a paper on systemically important financial institutions, including issues relating to the concept of “too big to fail.”

#### 4. Report from Solvency Modernization Initiative (EX) Task Force

Commissioner Gross provided a brief overview of some of the key projects under way at the Solvency Modernization Initiative (EX) Task Force. Commissioner Gross reported that at its upcoming meeting, the Task Force will discuss the activities of its working groups, hear a report on the Systemic Risk Panel and discuss IAIS governance work. Commissioner Gross also reported on the joint meeting of the International Solvency and Accounting (EX) Working Group with the IAIS Solvency and Actuarial Issues Subcommittee, which was held Dec. 3.

#### 5. Joint Forum

Commissioner McCarty provided an update on the work of the Joint Forum reported the work stream on the differentiated nature and scope of regulation will be sent for adoption by its parent committees by year-end. The work stream on risk aggregation, diversification and modeling is well under way, with target completion set for first quarter 2010.

#### 6. OECD

Director Urias reported on her recent participation in the Insurance and Private Pensions Committee (IPPC) of the Organization for Economic Cooperation and Development (OECD) on Dec. 3 and 4. Director Urias reported that participants from the 30 member countries and private sector representatives engaged in discussions on a number of issues, including the impact of the financial crisis on the insurance sector, catastrophic risks, corporate governance including discussions on the OECD Guidelines on Insurers’ Governance, financial innovation and financial education (specifically an update on draft good practices on financial education and insurance intermediation). The next OECD IPPC meeting is scheduled for June 2 – 3.

#### 7. Any Other Matters Brought Before the Committee

Mr. Spudeck reported on the status of the NAIC’s involvement in the Financial Sector Assessment Program (FSAP). Mr. Spudeck reported that the NAIC received the Detailed Assessment Report (DAR) recently and the FSAP Review Group had reviewed it, looking for obvious errors or misinterpretations. He also mentioned that the committee was focused on looking for legitimate upgrades and common themes between the three financial sectors. The deadline for the final DAR to be submitted to the International Monetary Fund (IMF) by Treasury was December 9<sup>th</sup>.

Director Urias provided an update on ongoing discussions with representatives of the Japanese insurance industry related to issues arising under the U.S.-Japan insurance agreements. Director Urias reported that the NAIC had sent the Japanese industry a follow-up letter regarding the trustee surplus issue and had worked closely with California and New York in developing a response. The Japanese industry had responded that they would review the letter and respond to the NAIC in due course.

Morag Fullilove (The Fullilove Consulting Group) commented that the industry had held an informal dialogue with the NAIC regarding EU equivalence under Solvency II and looked forward to further dialogue on this issue. She thanked the NAIC for paying attention to this important matter.

Steve Broadie (Property Casualty Insurers Association of America—PCI) reminded the Committee that at the IAIS Technical Committee hearing, he had emphasized that if insurance was not “systemically risky,” then why does the insurance industry need representation at The Group of Twenty (G-20) Finance Ministers and Central Bank Governors and the FSB. He

underscored the importance to make sure insurance regulators carry the message that insurers are not banks and should not be regulated as such, despite a strong bias by some G-20/FSB members to otherwise do so. Commissioner McCarty urged vigilance by all and remarked upon a trend to strengthen the central banks, and grant them increasing authority and potentially categorize insurance as systemically risky.

Having no further business, 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, completed its first set of field work in October. 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.

Over a three-week period in October 2009, the IMF conducted field visits to the NAIC's Washington, DC and Kansas City offices as well as to several U.S. state insurance departments to build on the results of the NAIC's Self-Assessment (the NAIC through its FSAP review group 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.) Meetings with the private sector (insurance companies) and trade associations were also undertaken during this October field work. In addition to forming part of the assessment against international standards, the FSAP process will be instrumental in demonstrating how states oversee the business of insurance and how the NAIC operates in conjunction with the states – key features of the U.S. system of interest to non-U.S. regulators are the peer review and financial data and analysis capacities at the NAIC.

Based on the completed Self-Assessment (which reflected a high level of observance by the US insurance regulatory system of the IAIS Insurance Core Principles), relevant background information and the aforementioned field visits, the IMF assessors have drafted a Detailed Assessment Report (DAR). During a comment period, NAIC has been able to submit comments to correct and clarify the report. A second round of FSAP field visits are tentatively scheduled for February 10-26<sup>th</sup> where currently it appears the focus will be on Stress Testing, Crisis Management, and Systemic Liquidity.

The FSAP forms the basis of Financial System Stability Assessments (FSSAs) which 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. Several U.S. 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. The first meeting of this supervisory college took place in April 2008 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 took place in October in which involved supervisors gained an enhanced understanding of the various entities regulated by supervisory college members. The discussions included the entities' inherent risks, financial positions and business activities. An in-person meeting for this supervisory college is scheduled for April 2009.

The NAIC also continues 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. The Subgroup proposed revisions to the Model Holding Company Act relating to requiring state insurance regulators to share information with federal and international counterparts, and authorizing the use of supervisory colleges where appropriate. The Subgroup is also currently reviewing states potential future involvement in the International Association of Insurance Supervisors (IAIS) Multilateral Memorandum of Understanding in addition to proposing a tracking document which would track state regulators invited to and participating in supervisory college meetings with appropriate feedback mechanisms built into the chart for information exchanges between state regulators before and after the relevant supervisory college meetings.

### **NAFTA WORKING GROUP CONTINUES DISCUSSIONS WITH CANADA OVER PROPOSED FMCSA RULE CHANGE**

The NAIC's North American Free Trade Agreement (NAFTA) Working Group has continued to review the proposed rule change by the Federal Motor Carrier Safety Administration (FMCSA) (part of the Department of Transportation) to allow Canadian trucks and buses entering the U.S. to present evidence of their Canadian insurance to show "financial responsibility.". The Working Group has been engaged in a number of follow-up conversations with the Canadian Federal insurance regulators Office of the Superintendent (OSFI) to seek additional information and assurances concerning Canada's regulatory oversight of Canadian insurers executing the MCS-90 forms. They also participated in fruitful discussions with representatives of the Canadian insurance industry in connection with the North American Free Trade Agreement (NAFTA) Trilateral Working Group (TIWG) which the NAIC chaired in September of this year [*see related report below*].

As a result of an ongoing dialogue with OSFI, the Working Group now has greater confidence that there are significant similarities between the U.S. state insurance regulatory system and Canadian federal insurance regulation. Similar to the NAIC insurer quarterly financial filing requirements, OSFI posts extensive financial information (balance sheet, income statement, some operating information, and solvency calculation) for each federally regulated Canadian insurer on its website. OSFI has also committed to work closely with the NAIC and state insurance regulators in sharing information and by agreeing to enter into information sharing agreements on a regulator-to-regulator basis as may be necessary. OSFI provided assurances that U.S. consumers will have access to the mandatory third party dispute resolution mechanism required of Canadian insurers and that U.S. consumers could raise their dispute with a Canadian insurer directly and, if not satisfied with the response, the U.S. consumer could seek a judicial resolution through the traditional court system.

Furthermore, the Working Group is more confident that, should insolvency of a Canadian insurer occur, Canada does have a system in place (industry-funded, non-profit Property and Casualty Insurance Compensation

Corporation (PACICC)) that would protect consumers up to the limit of CAD \$250,000, regardless of the residency of the claimant.

Consequently, a second comment letter was submitted highlighting the cooperative discussions and the similarities between the two systems and underscored the NAIC's willingness to continue to work with the Canadian regulators and the FMCSA to facilitate increased cross-border trade activities and the desire to support the proposed rulemaking if NAIC's recommendations are met.

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

- The FMCSA should develop a system to notify the NAIC of any solvency problems arising with any Canadian insurer operating on a cross-border basis. When the financial difficulty reaches a level of supervisory action in Canada, the FMCSA should have the authority to require the affected motor carriers to find an alternate insurance provider. Once the Canadian regulators certify that the Canadian insurer is no longer in financial difficulty, then that insurer could again become eligible to execute the MCS-90 and MCS-90B.
- In the interest of true reciprocity, the FMCSA should require Canadian insurers executing the MCS90 to file a duly executed Power of Attorney and Undertaking (PAU) with the NAIC, since existing regulations require U.S. insurers to file a PAU with the Canadian Council of Insurance Regulators (CCIR) for their cross-border activities. The PAU would give State insurance regulators – and U.S. claimants – equivalent reinsurance that there would be a Canadian insurer agent/representative within that State to accept notice and service of process on behalf of the Canadian insurer and, more importantly, preserve necessary protections to U.S. consumers.

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

#### **NAFTA TRILATERAL INSURANCE WORKING GROUP & FINANCIAL SERVICES COMMITTEE UPDATE**

On September 24, Director Urias (AZ) chaired the NAFTA Trilateral Insurance Working Group (TIWG) which reports to the NAFTA Financial Services Committee. The TIWG had participation from the NAIC, Arizona Department of Insurance, U.S. Department of Commerce, Treasury, Office of the United States Trade Representative, Federal Motor Carrier Safety Administration, Mexican Insurance and Surety National Commission, Ministry of Economy - Embassy of Mexico, Finance Canada and a number of industry representatives.

The TIWG focused on the insurance issues that were identified by the Security and Prosperity Partnership (SPP), received an update from the Federal Motor Carrier Safety Administration (FMCSA) reported on the U.S. "pilot project" for allowing Mexican and U.S. trucks to operate across their respective borders. An extended discussion was held regarding the proposed FMCSA rule change to allow Canadian trucks and buses entering the U.S. to present evidence of their Canadian insurance to show "financial responsibility," [see related report above]. The U.S. insurance private sector raised a concern regarding a change in Canadian law that would shift regulatory oversight from a "location of risk" to a loose "location of transaction" basis. The meeting concluded with Finance Canada agreeing to host the next TIWG meeting in the Fall of 2010 in Canada.

On November 24, NAIC staff George Brady and Ekrem Sarper participated in the 15<sup>th</sup> NAFTA Financial Services Committee and 15<sup>th</sup> Security and Prosperity Partnership (SPP) Financial Services Working Group held in Washington, DC by the Department of the Treasury. Participants at this meeting shared experiences relating to financial sector stability, ongoing initiatives in the SPP Work Plan (including the insurance issues discussed at

length during the September TIWG meeting), regulatory and legislative developments in each respective country, and issues related to potentially restarting WTO Financial Services Initiatives. It was agreed that Mexico would host the next meeting in 2010.

### **NAIC MEETS WITH MEXICAN HEALTH MINISTER**

On September 30, NAIC staff met with the Mexican Minister of Health, Dr. Jose Angel Cordova Villalobos, the Mexican Ambassador to the United States, embassy staff, and insurance industry representatives to discuss an initiative that the Ministry of Health is considering to provide limited health insurance coverage for Mexican nationals residing in the United States. Staff provided background information on the health insurance regulatory system in the United States and how the proposal might fit within that system.

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

Director Christina Urias (AZ) and NAIC Staff participated in the Insurance and Private Pensions Committee (IPPC) of the Organization for Economic Cooperation and Development (OECD) on December 3 and 4 in Paris. Participants from the 30 Member countries and private sector representatives engaged in discussions on a number of issues, including the impact of the financial crisis on the insurance sector, catastrophic risks, corporate governance including discussions on the OECD *Guidelines on Insurers' Governance*, financial innovation and financial education (specifically an update on draft good practices on financial education and insurance intermediation).

The next OECD IPPC meeting is scheduled for June 2<sup>nd</sup> & 3<sup>rd</sup> in Paris.

### **U.S.-INDIA FINANCIAL AND ECONOMIC FORUM**

Danny Saenz (TX) will participate in the U.S.-India Financial and Economic Forum (FEF) on October 28<sup>th</sup> in New Delhi, India. The NAIC will address the financial crisis, the importance of open markets, bancassurance and pensions. The Indian Ministry of Finance, the U.S. Treasury, and financial regulators from both countries (including the NAIC) have engaged in recent years under the auspices of the FEF, part of the US-India Economic Dialogue. This has provided an important venue to share views and expertise on macroeconomic and financial sector issues, including fiscal and exchange rate policies, measures to increase competition and strengthen prudential regulation in the banking sector and securities markets, insurance and pension reforms, and anti-money laundering efforts.

### **INTERNATIONAL SOLVENCY (EX) WORKING GROUP MEETS TO DISCUSS REGULATORY SYSTEMS OF BERMUDA, CANADA & SWITZERLAND**

Over the last 3 months the International Solvency (EX) Working Group, as part of the Solvency Modernization Initiative, has met with the insurance regulators from Bermuda, Canada and Switzerland to better understand their regulatory systems.

#### **Bermuda**

The Bermuda Monetary Authority (BMA) discussed its responsibility for regulating all financial institutions in Bermuda. Bermuda insurers are regulated by the Supervisor of Insurance, which is part of the BMA. Insurers in Bermuda are categorized into several classes, allowing for increasing the regulatory stringency for firms that write business more broadly. A risk-based supervisory framework for Class 4 insurers (Insurers with minimum capital and surplus of \$100M and underwriting direct excess liability and/or property catastrophe reinsurance) has been implemented since 2007. This framework directs supervisory attention to companies with risky company ratings. Company ratings are designed to take into account the impact and the probability of failure.



The BMA illustrated how they calculate their risk based “Bermuda Solvency Capital Requirement (BSCR)”. They also explained that Class 4 insurers may use an internal model, but must meet certain requirements in order to do so.

#### Canada

The Canadian prudential insurance regulator – the Office of the Superintendent of Financial Institutions (OSFI) - presented an overview of the Canadian regulatory framework. OSFI explained that, in Canada, insurance is regulated at the provincial and federal level. Most insurers are federally registered, and as such are regulated for solvency purposes by OSFI. Provincial regulators are primarily concerned with licensing of brokers, insurance rates and policy contents. OSFI also detailed their shift to a new supervisory framework in 1999 with greater emphasis on corporate governance, risk management, financial analysis, internal audits, board oversight, and compliance as key components to ensure insurer solvency.

OSFI discussed the future of capital adequacy provisions for Canadian insurers and a shift towards a greater use of internal models. Furthermore principles have been developed for a new capital framework for property and casualty insurers. These principles are intended to help insurers make better risk-based business decisions and to determine capital levels that better match an insurer’s risk profile and risk management practices.

#### Switzerland

The Swiss Financial Market Supervisory Authority (FINMA) reported on the workings of the Swiss Solvency Test (SST) and Swiss Quality Assessment (SQA) noting that SQA is presented as an additional way to get insights into a company beyond numbers and financial measures and thereby complements traditional supervision and the SST to provide a more holistic view of a company.

There was also a discussion on developments in group supervision with FINMA reporting on the supervisory college experiences of Swiss Re and Zurich Financial and the NAIC discussing progress for convening supervisory colleges in the U.S. FINMA and the NAIC agreed to continue an active dialogue and exchange of ideas with regard to improving the processes and procedures for convening supervisory colleges for regulated entities in the future. Finally, there were discussions as to IAIS strategic planning initiatives in addition to reactions to the IAIS’s responses to the FSB and G20 working groups.

### **NAIC ENGAGES WITH EU SUPERVISORS ON GROUP SUPERVISION**

Commissioner Jane Cline (WV), Danny Saenz (TX) and NAIC Staff participated in meetings with European insurance supervisors in November. The NAIC delegation joined a meeting of the group supervision subcommittee of the Committee of European Insurance and Occupational Pensions (CEIOPS) supervisors. The meeting was open to supervisors from “third countries” to learn about the CEIOPS guidance on group supervision under Europe’s Solvency II legislation, and their ideas on a process for evaluating equivalence of “third country regimes.”

The meetings were held at CEIOPS’ headquarters in Frankfurt, Germany, and provided participants with an opportunity to understand the rules under Solvency II related to the supervision of groups. Although a controversial section on “group support” was left out of the Solvency II reforms in late negotiations, the new rules will require that insurers be supervised with due regard to the effect of any group structures in which they operate. Separate legislation in effect in the EU addresses the supervision of insurers which are part of financial conglomerates.

The meeting was held during Euro Finance Week, which included CEIOPS' annual one-day conference. During the Conference, European Central Bank Head, Jean-Claude Trichet, gave a significant keynote address in which he argued that the insurance sector should be considered "systemic" in discussions of how to address financial institutions which, because of their size, business, or interconnectedness, require additional oversight.

A conference panel also included comments from Peter Skinner (Member of EU Parliament) and Karel van Hulle (EU Commission staff) regarding the implementation of Solvency II. With regard to the EU's assessment of the equivalence of "third country" regimes to the EU standards – which are not set to come into force until 2012 – Mr. van Hulle made reference to the EU's active engagement at the political level with U.S. law and policy makers in Congress and Treasury to achieve reform of U.S. reinsurance collateral requirements and in pursuit of a single federal voice for the U.S. insurance sector. He indicated that the U.S. could not be deemed "equivalent" as long as the current collateral rules are in place. Mr. Skinner commented further that, although it would be "absurd" for the U.S. not to be deemed equivalent, because insurance supervision is conducted at the state level, the U.S. cannot be deemed a "country" under Solvency II.

In late October, NAIC staff participated in the semi-annual Financial Markets Regulatory Dialogue (FMRD). Led by the U.S. Treasury, the FMRD is an opportunity for U.S. regulators from all financial sectors – including insurance – to interact with counterparts in the EU Commission (the meeting does not involve financial supervisors.) In that meeting, NAIC staff inquired of the Commission whether they had considered the U.S. insurance sector's national system of financial regulation – enforced through the NAIC Accreditation Program – in their early determination that the U.S. system did not satisfy Solvency II's reference to a "solvency regime in a third country." The response from the EU referenced on-going work by CEIOPS to elaborate a peer review system to evaluate its own Members' adherence to binding EU rules. With third-country equivalence assessments scheduled to begin in 2010, participants from the EU did not find it premature to be assessing third countries against the Solvency II system before it is required to be adopted in Member States, regardless of the years of experience in "third countries" with alternate regimes.

During the IAIS Annual Conference in October, Commissioner Cline led another NAIC delegation in a dialogue with members of CEIOPS and Mr. van Hulle. The discussion centered on potential synergies between the NAIC and CEIOPS, especially in light of Europe's move toward restructuring the groups of financial supervisors - CEIOPS, CEBS (banking) and CESR (securities) – into European Supervisory Authorities, and empowering them with the authority to issue binding regulations and mediate disputes between Members. The NAIC plans to host a delegation from CEIOPS in Kansas City in early 2010 to demonstrate the central financial database, the operations of the Financial Analysis Working Group (FAWG), and the comprehensive Accreditation Program. The NAIC and CEIOPS also agreed to explore possible commonalities in their respective approaches to the issues of systemic risk and "too big to fail" as they might apply in the insurance sector.

### **NAIC REGULATORY DIALOGUES**

The NAIC used the opportunity of the IAIS Annual Conference in October to hold a regulator-to-regulator dialogue with the China Insurance Regulatory Commission (CIRC). Commissioner Cline headed the NAIC group in the meeting with CIRC's Chairman Wu Dingfu and other high ranking CIRC officials. CIRC and the NAIC committed to continuing the active participation by CIRC staff in the NAIC's international intern program, and discussed additional opportunities for cooperation, including executive level training and seminars to explore critical emerging issues such as addressing large scale catastrophes and investment rules for insurers.

Also during the IAIS Conference, Commissioner Cline and others from NAIC met with the head of Thailand's Office of the Insurance Commission to exchange views on an action plan for future cooperation between the NAIC and the OIC under the MOU signed in 2009.

### **STOREBRAND CEO VISITS WITH NAIC**

NAIC international relations staff met with Sarah McPhee, CEO of one of Sweden's leading life insurance and pension providers, SPP. The purpose of the meeting was to share views on current regulatory and policy trends affecting the life insurance and pension industries in the United States and Europe. Ms. McPhee was also due to visit with a number of other regulatory agencies while in Washington.

NAIC staff briefed Ms. McPhee 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 the NAIC's continued 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.

### **INTERNATIONAL TRADE UPDATE: WTO HOLDS FIRST MINISTERIAL CONFERENCE SINCE 2005**

The World Trade Organization (WTO) just completed its first ministerial conference since 2005. The seventh WTO ministerial conference this week concluded without substantive Doha round results except an agreement to have a status assessment no later than March 2010 to determine if a deal is possible at the end of the year.

While there were no negotiations at this Ministerial conference, the WTO recently held its first financial services negotiating session in Geneva following a nearly one year hiatus. Reports show that little progress has been made on the outstanding issues. The negotiations have remained frozen since the failure to reach a breakthrough in late 2008.

### **IAIS ANNUAL CONFERENCE 2009**



The 16<sup>th</sup> IAIS Annual Conference was hosted by the SUSEP, the Brazilian Superintendence of Private Insurance in Rio de Janeiro, Brazil October 21-24. The conference provided an excellent opportunity for representatives of the insurance profession to exchange views on new developments. The theme was "Insurance as a Means of Socio-Economic Development" and covered 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

A small delegation from the NAIC participated in IAIS Committee meetings preceding the Conference. Among them, Commissioner Gross and McCarty and NAIC CEO Terri Vaughan made presentations during the Conference. George Brady of the NAIC was also voted in to serve as a U.S. representative on the IAIS Executive Committee.

### **NAIC SIGNs MOU WITH ANS BRAZIL**

The NAIC and Brazil's Agência Nacional de Saúde Suplementar (ANS) - Brazilian Federal Regulatory Agency for Health Plans and Health Insurance, have reached an agreement covering the exchange of information and technical assistance; cooperation among U.S. and Brazilian regulators; and educational seminars and training benefitting to consumers in each country with the signing of a Memorandum of Understanding (MOU) at the winter NAIC meeting.

This is the 11<sup>th</sup> such MOU the NAIC has reached with other countries on regulatory cooperation and the second with Brazil. A MOU was signed with Superintendência de Seguros Privados (SUSEP) in 2006. The agency is responsible for the supervision of insurance, open private pension funds and capital markets in Brazil. NAIC is also negotiating an agreement with the Chinese Taipei who were present at the signing ceremony.

Negotiations leading to the MOU were conducted while attending the IAIS Triannual Meeting in Rio de Janeiro in October, led by Commissioners Cline (WV), Gross (VA), McCarty (FL) and NAIC staff. The ANS was represented by Alfredo Cardoso, Director General, Fabio Fonseca, General Manager, Cesar Serra, Licensing Requirements, Actuarial and Market Studies Manager, Washington Alves, Actuarial Coordinator and Renata Gasparello, Actuary Regulation Specialist.

The negotiations touched upon various topics including the health reform in the U.S., the importance of regular dialogue between regulators and the assistance that the NAIC can provide the ANS. Preliminary discussions were also held with regards to an MOU and information was exchanged on the potential for future cooperation. Discussions with the ANS continued culminating in the signing of an MOU on regulatory cooperation on Saturday, December 5. The NAIC and ANS will now develop a work plan for 2010.

### **INSTITUTE OF BRAZILIAN ISSUES VISIT NAIC EXECUTIVE OFFICE**

Twenty-six Brazilian Government officials who work in regulatory agencies met with NAIC staff on November 10. The Brazilian officials were in the U.S. to study the U.S. regulatory system from November 2 - 13. They were especially interested in how the U.S. insurance departments make their regulatory decisions, the degree of political independence, and how they evaluate the effectiveness and cost of the regulatory requirements. With the health reform pending on Capitol Hill they had many questions about the future of health insurance in the U.S.

**NAIC INTERNATIONAL INTERN PROGRAM CONTINUES TO FLOURISH:  
100<sup>th</sup> INTERN PARTICIPATES IN CURRENT SESSION**

In late October, the NAIC welcomed 11 interns to its International Intern Program, including from Azerbaijan (1), China (5), Egypt (2), Saudi Arabia (1), and Thailand (2). Host jurisdictions for the fall 2009 program include Hawaii, Michigan, New York, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Vermont and West Virginia. Michigan, South Carolina & Vermont were first time hosts. The NAIC developed the program in 2004 to advance working relationships with foreign market regulators, emphasizing the exchange of regulatory techniques and technology.

To enhance the experience of the interns and to expose them to the broader spectrum of the NAIC, the interns are attending our 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 next week in Washington, DC with a debriefing program, a seminar on industry – regulatory 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.



With the completion of the 2009 fall program, a total of 102 interns from 20 countries have participated in the training program. To date, 27 U.S. jurisdictions have hosted these non-U.S. regulators, including: Alabama, Arkansas, California, Colorado, District of Columbia, Georgia, Hawaii, Illinois, Kentucky, Maryland, Massachusetts, Michigan, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Texas, Vermont, Washington, and West Virginia.

Since the China-Pilot program began in 2004, Albania, Armenia, Azerbaijan, Bosnia & Herzegovina, Brazil, British Virgin Islands, Bulgaria, China, Chinese Taipei, Egypt, India, Jordan, Korea, Lebanon, Thailand, Russia, Saudi Arabia, Serbia, Singapore, and Vietnam have participated in the NAIC's training program.

In 2010 there will be a number of changes to the internship schedule in light of the shift to 3 national meetings per year. Subject to approval by the International Regulatory Cooperation Working Group the timeline for the 2010 program can be found below.

<b>Timeline for Spring 2010 program</b>	<b>Timeline for Fall 2010 program</b>
<b>NAIC Central Office, Kansas City, Missouri</b> Training Dates: April 12 – 16	<b>NAIC Central Office, Kansas City, Missouri</b> Training Dates: October 11 - 15
<b>Host State—State Insurance Department</b> Week 1 – 5: April 19 – May 21	<b>NAIC – National Meeting – Orlando, Florida</b> Dates: October 18 – 21
<b>NAIC Executive Office – Washington, D.C.</b> Dates: May 24 - 25	<b>Host State—State Insurance Department</b> Week 1 – 5: October 25 – November 2
	<b>NAIC Executive Office – Washington, D.C.</b> Dates: November 29 – 30

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

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## IAIS COMMITTEES AND SUBCOMMITTEES: UPDATE

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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 Cline (WV), McCarty (FL), Gross (VA); and George Brady (NAIC)]

- Discussed an interim report from the subcommittee charged with research into the design and practicality of a Common Assessment Framework for insurance group supervision. 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.
- Continued strategic planning and discussion drafts on issues related to standard setting, financial stability, standard implementation, and external relations and key stakeholder expectations, with reassessment of resources to follow.
- With regard to financial stability concerns, the previous task force was converted to the Financial Stability Committee, which will examine “systemic risk” issues, and develop proposals on macroprudential tools for use in specific jurisdictions as well as ideas regarding a possible role for the IAIS in macroprudential surveillance.

### **Budget Committee**

- Received a report on the 2009 financial statements.
- 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.
- Discussed proposed changes designed to enhance the budget process with regard to the Annual Conference.

### **Technical Committee** [Commissioner Gross (VA), Chair]

- Held a hearing related to the financial crisis and key risks and trends in light of events and reactions in various jurisdictions.
- Discussed several issues brought forward with regard to the work of the Insurance Core Principles Coordination Group.
- Reaffirmed the need for the Solvency and Insurance Contracts Subcommittees to coordinate their work on valuation issues through the Joint Working Group.

### **Financial Stability Committee** [Commissioner Gross (VA)]

- Discussed issues related to an IAIS response to reports from G20 and FSB.
- Developed recommendations on further work by the IAIS in response to work on “systemic risk”, capital requirements for the banking sector; FSB principles on remuneration; and macroprudential issues.

### **Accounting Subcommittee**

- The Accounting Subcommittee will meet briefly in the afternoon of December 8 in order to discuss comments on the IAASB consultation paper "Auditing Complex Financial Instruments".

### **Insurance Contracts Subcommittee** [Rob Esson - NAIC – Chair]

- The Insurance Contracts Subcommittee will meet December 7-8 in San Francisco. It will be discussing the recent IASB standard on financial instruments and exposure draft on impairment of those instruments. This is particularly important as a number of life products with heavy investment components are likely to be classified as financial instrument liabilities under general purpose financial reporting even though regulated as insurance.
- It will also discuss recent decisions by the IASB and FASB on insurance contracts, particularly relating to acquisition costs. It may decide to write to the Boards as their recent decisions will likely sacrifice economic reality and sensible reporting for a misplaced attempt to achieve consistency with their views on revenue recognition.
- The subcommittee will also discuss the appropriate discount rate to be used to discount insurance liabilities and receive a presentation from industry on difficulties surrounding the use of risk free rates.

### **Governance and Compliance Subcommittee** [Director McRaith (IL)]

- Met December 1 & 2 in Basel, Switzerland.
- Reviewed the Solvency Subcommittee's standard and guidance papers on Enterprise Risk Management for Solvency Purposes in order to assess whether there are any areas of overlap with the work of the Governance and Compliance Subcommittee.
- The IAIS-Microinsurance Network Joint Working Group has been working on the "Issues Paper on the Role, Regulation and Supervision of Mutuals, Cooperatives and other Community-based organizations in increasing access to insurance markets". The Joint Working Group has asked the subcommittee for written comments on their paper by January 2010.
- The group discussed the OECD Guidelines for Corporate Governance.
- The group continued its review of the 6 ICPs assigned to it.

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

- Met in Basel Switzerland on November 3-5, 2009.
- Received updates from the IAIS Chairman and Subcommittee members on developments in group-wide supervision in their jurisdictions. It was noted that an EU-wide stress test for the 30 largest insurance groups has been launched with submissions by the companies due end-2009 and the results expected in March 2010.
- The IGCS Chair then provided updates of the outcomes of the October 2009 Tri-annual Meetings, including the following:
  - The IGCS's Guidance Paper on the Use of Supervisory Colleges in Group-wide Supervision was adopted by the General Meeting on October 24, 2009. The guidance paper will contribute to work of the FSB Standing Committee on Regulatory Cooperation on the development of a global portocol for supervisory colleges. It is likely there will be an IAIS survey in 2010 regarding the number and composition of supervisory colleges for insurance groups.



- The IGSC's workplan for the Roadmap was approved by the Technical Committee including the proposed split of work on cross-boarder cooperation on crisis management and supervisory resolution of cross-boarder entities.
- The Solvency and Actuarial Issues Subcommittee will have a joint meeting with the IGCS regarding draft "group" solvency standards and guidance papers.
- Received an update that the FSB Standards Implementation Standing Committee is working on a report to the FSB and G20 regarding compliance by various jurisdictions with international standards set by IAIS, BCBS, and IOSCO on cooperation and information exchange. A list of non-cooperative jurisdictions will be produced and monitored by the end of 2010.
- Discussed the Guidance paper on the Guidance Paper on the Treatment of Non-regulated Entities. There has been coordination with IAIS and JFDNSR to ensure consistency of ideas given the cross-sectoral nature of the issue. In recognition of the importance of a timely response on this issue, the Subcommittee agreed on a process to fast track the adoption of the paper for Extraordinary General Meeting adoption February 19, 2010. Additionally, the Subcommittee provided direction to the drafting group for further additions and revisions. Ray Spudeck (FL) and David Vacca (NAIC) are participating in the drafting group for this paper.
- Discussed the first draft of the Group Supervision Framework (GSF) and provided direction to the drafting group. The paper provides a high-level overview of the GSF which could be used by jurisdictions to assess gaps in their frameworks.
- Discussed the ICP (Insurance Core Principles) Review and Coordination Process, including an update on the meeting of the IAIS ICP Coordination Group, coordination on group aspects across working parties, and heard reports from the four drafting groups. Ray Spudeck (SP) and David Vacca (NAIC) are on the drafting group for Standard on Exchange of Information.
- Discussed the status of the Guidance paper on Supervisory Recognition, which the drafting group has commenced drafting various sections of the paper and revised the current outline. Ray Spudeck (SP) and David Vacca (NAIC) are members of the drafting group.
- Discussed new workstreams on crisis management and supervisory resolution of cross-boarder entities, including a discussion on the Supervisory paper on Supervisory Cooperation on Crisis Management and the Issues Paper on Supervisory Resolution of Cross-border entities. David Vacca (NAIC) and Lin Yaotling (Japan) will help prepare a questionnaire for IAIS members.
- Discussed 2010-2011 roadmap and workplan of the IGSC, as well as the next Subcommittee meeting in Hyderabad in February 2010. Additionally, NAIC is sponsoring a 2010 IGCS Subcommittee meeting on September 7th-9th, in Washington, D.C.

**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 September 23-24 in Washington, DC. Members were asked to provide updates on recent developments in their jurisdictions. finalising proposed federal legislation which would help to implement the NAIC's reinsurance modernisation initiative. Next steps include the identification of a sponsor for the U.S. legislative process, which was met with interest from the other countries present.
- The Secretariat provided a review of the ICP coordination meeting and indicated how the ICP work will most likely affect further considerations in the RSC.
- The subcommittee reviewed the comments that were received related to the ICP, Standard and Guidance paper on reinsurance and other forms of risk transfer.
- The Secretariat provided a brief update on reinsurance-related considerations on systemic risk and stability issues. The Chair highlighted the need to ensure that it is clear that there are differences between the banking and the insurance/reinsurance world.
- The Secretariat gave a presentation on the results of the survey on market access requirements for reinsurers worldwide. Responses were received from or on almost 60 different jurisdictions, which provides a broad representation around the globe.
- Marcelo Ramella reported on the experience with the mid-year edition of the Global Reinsurance Market Report (GRMR), entitled "Developments in (Re)Insurance Securitisation," which was published at the end of August 2009.
- The next meeting of the Reinsurance SC & Mutual Recognition SG is scheduled to be held in Hyderabad, India 3-4 February, 2010.

**Reinsurance Transparency Group** [Bob Kasinow (NJ)]

- The RTG met in September in Washington and updated the RSC on the publication of the mid-year report and the press coverage received, as well as discussed the end-year report.
- There was discussion on future work of the RTG, especially in being able to comment on or provide empirical data related to the financial crisis.
- The next meeting of the RTG will be in February in Hyderabad

**Solvency and Actuarial Issues Subcommittee (SSC) (Anne Kelly-NY; Kris DeFrain-NAIC; Ramon Calderon-NAIC)**

- SSC will be meeting in San Francisco November 30-December 3rd in conjunction with the NAIC Winter Meeting
- 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 Rio, Brazil October 19 and received a report from the Chair on the strategic review note of standard implementation and assessment.
- The Chair discussed three major strategic issues - self assessment and peer review, interactive version of Core Curriculum and online learning, and translation initiative – previously discussed and agreed by the Ad hoc Working Group at its meeting on 8-9 September.
- A revised draft Roadmap which incorporates the discussions at the last meeting in June in Chinese Taipei was discussed and in light of member's comments regarding role of the Regional Coordinators the Chair requested the Secretariat to revise the Roadmap for Standard Implementation
- The Implementation Committee was asked to assess the safety and security of the venue for regional seminars and assess whether a venue is suitable to hold an IAIS training event. In making such an assessment, the Implementation Committee shall also consider risk assessments as provided by the host country.
- Richard Walker, Chair of MMOU Interim Signatories Working Group, presented the current status of the IAIS MMOU.
- Michael Oliver, Chair of the Regional Coordination Subcommittee, reported on the Regional Coordination Subcommittee (RCS).
- François Tempé (France), Chair of the Insurance Laws Subcommittee (ILS), reported on the survey results and other activities of the subcommittee.
- Norma Rosas, Chair of the Task Force on Information Gathering and Analysis (TFIG) provided an update on the work of the task force.
- The next meeting will be in Basel, Switzerland in February 2010.

### **Implementation Activities Approval Subcommittee**

- Met in Rio, Brazil October 19 and received a report on budget requests for training seminars.
- The IAAS requested a stricter review of seminar proposals, in light of the guidance having been applied rather loosely in the past. All proposals were put on hold at the meeting.
- The group also received a report on revised guidance for regional seminars.
- The next meeting will be in February during the Triannual Meetings in Basel, Switzerland.

### **Task Force on Information Gathering and Analysis (TFIG)**

- Met during the Rio Tri-annual on October 19 and discussed the allocation of tasks to the TFIG members. The NAIC is providing information for two chapters on utilization of basic analysis information techniques as part of the supervisory process and basic ratios that could support financial and technical supervision.
- The first draft of the Application Paper on Information Gathering will be in early 2010 and a final report is expected by October 2010.

### **Regional Coordination Subcommittee**

- Met in Rio, Brazil October 19 and received Report on regional cooperation and training needs in the regions.
- Received a report on training expenditures and discussed reallocating the remaining \$50,000 to 2010.
- The Secretariat briefly reported the decision of the Implementation Committee on a revised “Guidance for the Organisation of IAIS Regional Seminars”.
- 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)]

- Met November 2 in Senegal.
- The Access to Insurance Initiative was launched in Rio during the IAIS Annual Conference in Rio de Janeiro on 22 October 2009-The website of the Access to Insurance Initiative is functional. [www.access-to-insurance.org](http://www.access-to-insurance.org)
- Members provided an update on recent regulatory and policy initiatives in different jurisdictions
- Papers: Members were updated on the latest draft of the *Issues paper on the regulation and supervision of mutual organizations, in relation to microinsurance, in emerging economies* (October 2010) and informed that a revised draft of the paper shall be circulated to the JWG members before mid November with a request to provide comments by the end of November.
- Joint Working Group Work plan- the IAIS Executive Committee shall be approving the JWG work plan by written procedure in November 2009. The work on mutuals in 2010 and development of guidance on Microinsurance in 2011 will entail substantial amount of work and no additional work is being suggested at this stage.
- Information on upcoming seminars: December 16, 17 2009 there will be a Regional Workshop on Microinsurance for MENA countries and June 1-3 the Financial Stability Institute plans to hold a conference on Microinsurance.
- Next meeting - February 2-3 2010: Hyderabad, India

### **Insurance Laws, Regulations, Practices & Standards Subcommittee**

- Will meet December 8 & 9 to discuss results on the survey on the usage of the Insurance Law Database (ILD)
- Will discuss developing a tender to improve the ILS tool.
- The subcommittee will also discuss proposing to the Implementation Committee to allow public access to non-confidential parts of the DB

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

<b>2009</b>			
November 30-December 3	<b>IAIS Solvency &amp; Actuarial Issues Subcommittee</b>	San Francisco, CA	IAIS
December 1-2	<b>IAIS Governance and Compliance Subcommittee</b>	Basel, Switzerland	IAIS
December 3-5	<b>OECD – Insurance and Private Pensions Committee (IPPC)</b>	Paris, France	OECD
December 4	<b>IAIS Joint Valuation Working Group</b>	San Francisco, CA	IAIS
December 5-8	<b>NAIC Winter National Meeting</b>	San Francisco, CA	NAIC
December 7-8	<b>IAIS Insurance Contracts Subcommittee</b>	San Francisco, CA	IAIS
December 8-9	<b>IAIS Insurance Laws Subcommittee</b>	Paris, France	IAIS
December 10	<b>IAIS Financial Stability Committee</b>	Basel, Switzerland	IAIS
December 10	<b>IAIS Internal Structure Working Group</b>	Basel, Switzerland	IAIS
December 11	<b>IAIS Common Assessment Framework Task Force</b>	Basel, Switzerland	IAIS
December 9-11	<b>U.S.-India Financial &amp; Economic Forum</b>	New Delhi, India	US Treasury
December 14-15	<b>IAIS Market Conduct Subcommittee</b>	Cairo, Egypt	IAIS
<b>2010</b>			
January 17-19	<b>IAIS Executive Committee</b>	Miami, FL	IAIS
January 24-28	<b>IAIS Insurance Fraud Working Group</b>	Budapest, Hungary	
January 26-27	<b>CEIOPS Members’ Meetings</b>	Frankfurt, Germany	CEIOPS
January 27-29	<b>IAIS Insurance Contracts &amp; IAIS Accounting Subcommittees</b>	Sydney, Australia	IAIS
February 1-3	<b>IAIS Solvency &amp; Actuarial Issues Subcommittee</b>	Hyderabad, India	IAIS
February 1-3	<b>IAIS Insurance Groups and Cross-Sectoral Issues</b>	Hyderabad, India	IAIS
February 2-3	<b>IAIS Governance and Compliance Subcommittee</b>	Washington, DC	IAIS
February 3-4	<b>IAIS Reinsurance Subcommittee</b>	Hyderabad, India	IAIS
February 22-23	<b>IAIS Insurance Contracts Subcommittee</b>	Basel, Switzerland	IAIS
February 24-26	<b>IAIS Triannual Meetings</b>	Basel, Switzerland	IAIS
March – 1 <sup>st</sup> wk	<b>IAIS Market Conduct Subcommittee</b>	Basel, Switzerland	IAIS
March – 1 <sup>st</sup> wk	<b>IAIS Insurance Fraud Working Group</b>	Basel, Switzerland	IAIS
March - Early	<b>IAIS Solvency &amp; Actuarial Issues Subcommittee</b>	Cape Town, South Africa	IAIS
March 24-26	<b>IAIS Insurance Contracts &amp; IAIS Accounting Subcommittees</b>	Tokyo, Japan	IAIS
March 26-29	<b>NAIC Spring National Meeting</b>	Denver, CO	NAIC
March 29-30	<b>CEIOPS Members’ Meetings</b>	Frankfurt, Germany	GEIOPS

April 13-14	<b>IAIS Governance and Compliance Subcommittee</b>	Rome, Italy	<b>IAIS</b>
April 19-22	ASSAL XXI Annual Assembly	Santiago, Chile	ASSAL
April – Mid	<b>IAIS Reinsurance Subcommittee and Reinsurance Transparency Group</b>	Hamilton, Bermuda	IAIS
April 27-29	<b>IAIS Insurance Contracts Subcommittee</b>	Kansas City, MO	IAIS
April – Late	<b>IAIS Market Conduct Subcommittee</b>	South Africa	IAIS
May 18 (2pm)	<b>IAIS Insurance Groups and Cross-Sectoral Issues</b>	Toronto, Canada	IAIS
May – Mid	<b>IAIS Insurance Fraud Working Group</b>	London, UK	IAIS
May - Late	<b>IAIS Solvency &amp; Actuarial Issues Subcommittee</b>	Tokyo, Japan (tentative)	IAIS
June 3-4	<b>OECD - Insurance and Private Pensions Committee (IPPC)</b>	Paris, France	OECD
June 21	<b>IAIS Global Seminar</b>	Manama, Bahrain	IAIS
June 22-24	<b>IAIS Triannual Meetings</b>	Manama, Bahrain	IAIS
June 22-24	<b>IAIS Accounting Subcommittee</b>	Manama, Bahrain	IAIS
July 1-2	<b>CEIOPS Members' Meetings</b>	Tallin, Estonia	CEIOPS
July 5-6	<b>IAIS Market Conduct Subcommittee</b>	Kuala Lumpur, Malaysia	IAIS
July 7-8	<b>IAIS Governance and Compliance Subcommittee</b>	Kuala Lumpur, Malaysia	IAIS
July 26-28	<b>IAIS Insurance Contracts Subcommittee (1 day) Accounting Subcommittee (2 days)</b>	TBD, Europe	IAIS
August 14-17	<b>NAIC Summer National Meeting</b>	Seattle, WA	NAIC
September 7 (2pm) – 9	<b>IAIS Insurance Groups and Cross-Sectoral Issues</b>	Washington, DC	IAIS
September 7-8	<b>IAIS Governance and Compliance Subcommittee</b>	Quebec City, Canada	IAIS
September 9-10	<b>IAIS Market Conduct Subcommittee</b>	Quebec City, Canada	IAIS
September – Early	<b>IAIS Insurance Fraud Working Group</b>	Quebec City, Canada	IAIS
September - Mid	<b>IAIS Solvency &amp; Actuarial Issues Subcommittee</b>	Sydney, Australia	IAIS
September - Mid	<b>IAIS Insurance Contracts Subcommittee (1 day) Accounting Subcommittee (2 days)</b>	Sydney Australia (tentative)	IAIS
September - Mid	<b>IAIS Reinsurance Subcommittee</b>	London, UK	IAIS
October 18-21	<b>NAIC Fall National Meeting</b>	Orlando, FL	NAIC
October 24-29	<b>IAIS Triannual Meetings/Annual Conference</b>	Dubai, UAE	IAIS
November	<b>IAIS Insurance Groups and Cross-Sectoral Issues</b>	Amsterdam, Netherlands	IAIS
November	<b>IAIS Insurance Contracts Subcommittee (2 days) Accounting Subcommittee (2 days)</b>	TBD, Europe	IAIS
November 9-10	<b>CEIOPS Members' Meetings</b>	Frankfurt, Germany	CEIOPS
December – Early	<b>IAIS Market Conduct Subcommittee</b>	Paris, France	IAIS
December – Early	<b>IAIS Governance and Compliance Subcommittee</b>	Paris, France	IAIS
December – Early	<b>IAIS Reinsurance Subcommittee</b>	TBD – USA	IAIS

<b>2011</b>			
March 26-29	<b>NAIC Spring National Meeting</b>	Austin, TX	NAIC
August 30- September 2	<b>NAIC Summer National Meeting</b>	Philadelphia, PA	NAIC
October	<b>IAIS Triannual Mtgs / Annual Conference</b>	Seoul, Korea	IAIS
November 3-6	<b>NAIC Fall National Meeting</b>	Washington, DC	IAIS

List of Abbreviations

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

National Supervisory Authorities:

<b>Belgium</b>	Commission Bancaire, Financiere et des Assurances (CBFA)
<b>India</b>	India Insurance Regulatory and Development Authority (IRDA)
<b>Italy</b>	(ISVAP)
<b>Korea</b>	Financial Supervisory Service (FSS)
<b>Japan</b>	Financial Services Agency (FSA)



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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## **INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE: STRATEGY & ACTION PLANS<sup>1</sup>**

1. *International Standard Setting*
2. *International Trade*
3. *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 and Gross; George Brady (support: NAIC/DC);
  - b. Financial Stability Committee – Cmsrs. Gross, McCarty (FL) (support: George Brady);
  - c. Internal Structure Working Group – George Brady (NAIC)
  - d. Budget – **TBD**;
  - e. Technical – Cmsr. Gross [chair], **TBD** (support: NAIC/DC, NAIC/FRS);
  - f. Reinsurance – **TBD** (support: Ryan Couch, Dan Schelp (NAIC));
  - g. Solvency – Ramon Calderon (Vice Chair), Joe Fritsch, Lou Felice (NY) (support: Kris DeFrain);
  - h. Insurance Contracts (Accounting) – Rob Esson (chair), Ramon Calderon (NAIC);
  - i. Governance & Compliance Subcommittee – Dir. McRaith (IL) (support: Ekrem Sarper, Dan Daveline);
  - j. Insurance Groups & Cross-Sectoral Issues Subcommittee – Ray Spudeck (FL) (support: David Vacca; Gita Timmerman);

<sup>1</sup> Last updated: December 2009

- k. Common Assessment Framework Task Force – Cmsr. Gross, Dir. Frohman, Rob Esson (support: George Brady);
- l. Joint Working Group on Microinsurance – Cmsr. Oxendine (support: Gita Timmerman);
- m. Market Conduct Subcommittee – Cmsr. Holland (support: Ekrem Sarper); and
- n. Insurance Core Principles (ICP) Coordination Group – Cmsr. Gross (VA), Rob Esson (support: George Brady)

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;<sup>1</sup> 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; and,
  - ii. Urge further coordination with OECD and FSB on role in market surveys and analysis.

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

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

- a. *Solvency* to International Solvency (EX) Working Group;
- b. *Insurance Contracts (Accounting)* to International Accounting (EX) Working Group;
- c. *Reinsurance* to Reinsurance (E) Task Force;
- d. *Market Conduct* to Market Regulation and Consumer Affairs (D) Committee
- e. *Insurance Fraud* to Anti-Fraud (D) Task Force;
- f. *Insurance Groups* to Group Solvency Issues (EX) Working Group & Supervisory College Subgroup;
- g. *Executive, Technical, Budget, Financial Stability, Internal Structure* to International Insurance Relations (G) Committee and International Insurance Relations (EX) Leadership Group;

- h. *Governance & Compliance to Principles-Based Reserving (EX) Working Group Corporate Governance Subgroup;*
- i. *ICP Coordination Group to International Insurance Relations (G) Committee;*
- j. *Common Assessment Framework Task Force to International Insurance Relations (G) Committee and International Insurance Relations (EX) Leadership Group;*
- k. *Implementation Committee, Regional Coordination, Joint Working Group on Microinsurance to International Regulatory Cooperation (G) Working Group*

2) **NAIC representation:**

- a. *Priority 1 committees and working parties (Executive, Technical, Budget; Solvency, Insurance Contracts, Reinsurance, Reinsurance Transparency, Governance & Compliance, Working Party Chairs, Insurance Groups, Insurance Core Principles, Financial Stability, Market Conduct, Microinsurance, Common Assessment Framework, Internal Structure) – Commissioner or senior staff as principal representative;*
- b. *Priority 2 committees (Implementation, Fraud, Accounting) – NAIC staff as principal representative; and*
- c. *Priority 3 committees (Laws & Regulations, Pension Coordination, Regional Coordination) – NAIC staff to monitor.*

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 countries<sup>2</sup>, and representatives of international bodies<sup>3</sup> 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:

- 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.

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

<sup>3</sup> 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.

## ***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. The NAIC has established a regular dialogue with U.S. industry and USTR specifically designed to address non-prudential U.S. regulatory barriers to trade.

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.

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” or equivalence;
  - c. Coordinate EU and NAIC involvement in international fora, such as IAIS, OECD, Joint Forum, and FSB;
  - d. Explore ways of achieving convergence of insurance supervision; and
  - e. Facilitate exchange of information among regulators to enhance domestic regulation.
- 2) **Other Regulators:** The NAIC should meet often with regulators from other countries, as issues arise.
  - a. Countries include: Bermuda, Canada, Chinese Taipei, India, Mexico, Japan, Switzerland, and MOU countries including ASSAL (Latin American region), Brazil, China, Egypt, Hong Kong, Iraq, Russia, South Korea, Vietnam, 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 11 Memoranda of Understanding for regulatory cooperation with insurance supervisors around the world, including with: Iraq, Egypt, Russia, Brazil (SUSEP<sup>4</sup> & ANS<sup>5</sup>), 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, the program has placed 102 participants from 20 countries. Since the China-Pilot program began in 2004, Albania, Armenia, Azerbaijan, Bosnia & Herzegovina, Brazil, British Virgin Islands, Bulgaria, China, Chinese Taipei, Egypt, India, Jordan, Korea, Lebanon, Thailand, Russia, Saudi Arabia, Serbia, Singapore, and Vietnam have participated in the NAIC's training program. To date, 27 U.S. jurisdictions have hosted non-US regulators including: Alabama, Arkansas, California, Colorado, District of Columbia, Georgia, Hawaii, Illinois, Kentucky, Maryland, Massachusetts, Michigan, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Texas, Vermont, Washington, and West Virginia.

#### 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 2010; 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.

<sup>4</sup> Superintendência de Seguros Privados

<sup>5</sup> Agência Nacional de Saúde Suplementar



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
    - ii. 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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Draft: 12/15/09

International Regulatory Cooperation (G) Working Group  
San Francisco, CA  
December 6, 2009

The International Regulatory Cooperation (G) Working Group of the International Insurance Relations (G) Committee met in San Francisco, CA, Dec. 6, 2009. The following Working Group members participated: Martha Lees, Chair, represented by Robert Easton (NY); Justin Durrance (GA); Gordon Ito (HI); Ann Frohman represented by Christy Neighbors (NE); and Alan Seeley (NM). Also participating was: Ken Ross (MI).

1. Discuss Regulatory Cooperation Section of International Strategy and Action Plan

Mr. Easton explained that the International Insurance Relations (G) Committee had asked the Working Group to review the International Strategy and Action Plan (Attachment Three-A) related to regulatory cooperation and technical assistance. Ekrem Sarper (NAIC) outlined the non-substantive changes to the Strategy and Action plan, including updating the list of other regulators the NAIC should meet with, updating the list of Memoranda of Understanding (MOU) countries, and updating the international internship program section. There were no comments, and it was decided that the plan would be sent to the G Committee.

2. NAIC International Internship Program

Mr. Easton presented an update on the International Internship Program (Attachment Three-B). He mentioned that this fall, the NAIC provided internships for 11 international supervisors from: Azerbaijan (1), China (5), Egypt (2), Saudi Arabia (1), and Thailand (2). Host jurisdictions for the Fall 2009 program included Hawaii, Michigan, New York, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Vermont and West Virginia. Michigan, South Carolina and Vermont were first-time hosts. With the completion of the 2009 Fall program, a total of 102 interns from 20 countries have participated in the training program. To date, 27 U.S. jurisdictions have hosted these non-U.S. regulators, including Alabama, Arkansas, California, Colorado, District of Columbia, Georgia, Hawaii, Illinois, Kentucky, Maryland, Massachusetts, Michigan, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Texas, Vermont, Washington and West Virginia.

Commissioner Ross remarked that this was the first time he had hosted an intern and that it was a worthwhile program, for the interns and for the U.S. jurisdictions. He explained that Michigan's intern was from China and he had focused on market conduct and solvency.

Mr. Easton underscored that this was a great experience for New York and also for the intern and that they had benefitted greatly from this program. He emphasized the importance of how the program helps strengthen communication between the NAIC and overseas regulators.

The interns confirmed that through interning in the largest insurance market of the world, they had gained a strong appreciation for the importance of strong capital, solvency and investment regulations. They underscored the significance of such programs and the need for a closer relationship between the U.S. and other regulators around the world in light of greater Foreign Direct Investment by U.S. insurers. The interns reported that they would share the new methods and technologies that they had learned with their own insurance departments.

Mr. Sarper explained that with the national meeting schedule moving to three instead of four meetings per year, the program would be modified and only the fall interns would be able to participate in the national meeting. He presented a proposed calendar of dates for the 2010 and 2011 internship programs for discussion (Attachment Three-C). Mr. Ito expressed concern that Hawaii would not be able to host in the spring because it would coincide with the legislative session and would prefer the summer.

3. Discuss International Training Curriculum

Mr. Sarper explained that at its last meeting, the Working Group asked that the NAIC consider developing an international training curriculum. In discussions with the NAIC education department and also with international regulators, it was

recommended that an international curriculum be modeled around existing NAIC courses and also the international intern program. He elaborated that the existing NAIC courses are targeted at domestic regulators and would need to be modified to have greater appeal to the international regulatory community.

Mr. Sarper shared a copy of the proposed new international curriculum “Introduction to the U.S. insurance regulation and supervision system” (Attachment Three-D). He explained that international regulators will participate in a one-week program and then return home, as opposed to the seven-week intern program. The Working Group recommended moving forward with this proposal.

4. International Association of Insurance Supervisors (IAIS) and the Micro Insurance Network (MIN) Joint Working Group on Microinsurance

Mr. Durrance provided a report regarding the meeting of the International Association of Insurance Supervisors (IAIS) and the Micro Insurance Network (MIN) Joint Working Group held in Dakar, Senegal, in November. He provided an update on the work being done on the Access to Insurance initiative, the “Issues Paper on the Role, Regulation and Supervision of Mutuals, Cooperatives and Other Community-based Organizations in Increasing Access to Insurance Markets,” and the G20 Pittsburgh communiqué.

5. Bilateral and Regional Developments

Mr. Sarper presented an update on bilateral and regional developments, focused on Asia and Latin America.

6. Other Matters

Lauren Scott (American Council of Life Insurers—ACLI) provided the group with a copy of the ACLI country matrix highlighting their priority issues, including a new issue in South Korea related to proposed reforms to their Agricultural Cooperative Law being contrary to the spirit of the Korea-United States Free Trade Agreement. She also raised an issue related to Thailand and ACLI’s desire to better understand how foreign investors can increase their stakes from 25% to 49%.

Having no further business, the International Regulatory Cooperation (G) Working Group adjourned.

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**EXTRACT FROM: INTERNATIONAL INSURANCE RELATIONS (G)  
COMMITTEE: STRATEGY & ACTION PLANS<sup>1</sup>**

**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” or equivalence;
  - c. Coordinate EU and NAIC involvement in international fora, such as IAIS, OECD, Joint Forum, and FSB;
  - d. Explore ways of achieving convergence of insurance supervision; and
  - e. Facilitate exchange of information among regulators to enhance domestic regulation.
- 2) **Other Countries Regulators:** The NAIC should meet often with regulators from other countries, ~~according to a priority list and~~ as issues arise.
  - a. ~~Priority e~~Countries include: Bermuda, Canada, Chinese Taipei, India, Mexico, Japan, Switzerland, Hong Kong, India, and MOU countries including ASSAL (Latin American region), Brazil, China, Egypt, Hong Kong, Vietnam, Iraq, Russia, South Korea, Brazil, China, Russia, Vietnam ASSAL (Latin American region), and Thailand.
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  - 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.

<sup>1</sup> ***Last updated: ~~June 15~~December 6, 2009***

### 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 ~~10-11~~ Memoranda of Understanding for regulatory cooperation with insurance supervisors around the world, including with: Iraq, Egypt, Russia, Brazil (SUSEP<sup>2</sup> & ANS<sup>3</sup>), 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, the program has placed ~~94-102~~ participants from ~~19-20~~ countries. Since the China-Pilot program began in 2004, Albania, Armenia, Azerbaijan, Bosnia & Herzegovina, Brazil, British Virgin Islands, Bulgaria, China, Chinese Taipei, Egypt, India, Jordan, Korea, Lebanon, Thailand, Russia, Saudi Arabia, Serbia, Singapore, Russia and Vietnam have participated in the NAIC's training program. To date, ~~23-27~~ U.S. jurisdictions have hosted non-US regulators including: Alabama, Arkansas, California, Colorado, District of Columbia, Georgia, Hawaii, Illinois, Kentucky, Maryland, Massachusetts, Michigan, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Texas, Vermont, Washington, and West Virginia.

#### 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;
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  - c. NAIC covers the costs (lodging) of five interns from China Insurance Regulatory Commission (CIRC) through ~~2009~~10; 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.

<sup>2</sup> Superintendência de Seguros Privados

<sup>3</sup> Agência Nacional de Saúde Suplementar

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
- ii. 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.

## **NAIC INTERNATIONAL INTERN PROGRAM**



Building on the success of the China Intern-Pilot Program in 2004, NAIC developed a formal International Internship Program in 2005 to advance working relations with foreign markets, emphasizing the exchange of regulatory techniques and technology. The interns participate in a week-long orientation program in Kansas City, Missouri, focusing on the broad principles of insurance regulation in the United States. Each intern then travels to a different state for five weeks, working in technical areas of their specialization under the supervision of a state insurance department staff member, who serves as a mentor and host.

This fall, the NAIC provided internships for international supervisors from Azerbaijan (1), China (5), Egypt (2), Saudi Arabia (1), and Thailand (2). Host jurisdictions for the fall 2009 program include Hawaii, Michigan, New York, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Vermont and West Virginia. Michigan, South Carolina & Vermont were first time hosts.

To enhance the experience of the interns and to expose them to the broader spectrum of the NAIC, the interns are attending our 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 next week in Washington, DC with a debriefing program, a seminar on industry – regulatory 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.

With the completion of the 2009 fall program, a total of 102 interns from 20 countries have participated in the training program. To date, 27 U.S. jurisdictions have hosted these non-U.S. regulators, including: Alabama, Arkansas, California, Colorado, District of Columbia, Georgia, Hawaii, Illinois, Kentucky, Maryland, Massachusetts, Michigan, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Texas, Vermont, Washington, and West Virginia.

Since the China-Pilot program began in 2004, Albania, Armenia, Azerbaijan, Bosnia & Herzegovina, Brazil, British Virgin Islands, Bulgaria, China, Chinese Taipei, Egypt, India, Jordan, Korea, Lebanon, Thailand, Russia, Saudi Arabia, Serbia, Singapore, and Vietnam have participated in the NAIC's training program.

The NAIC is currently looking for host states to participate in the Spring 2010 International Internship program. If you are interested in participating please contact Ekrem Sarper, NAIC International Policy Analyst ([esarper@naic.org](mailto:esarper@naic.org)).

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**Proposed Dates for 2010 Internship Program**

<b>Timeline for Spring 2010 program</b>	<b>Timeline for Fall 2010 program</b>
<b>NAIC Central Office, Kansas City, Missouri</b> Training Dates: April 12 – 16	<b>NAIC Central Office, Kansas City, Missouri</b> Training Dates: October 11 - 15
<b>Host State—State Insurance Department</b> Week 1 – 5: April 19 – May 21	<b>NAIC – National Meeting – Orlando, Florida</b> Dates: October 18 – 21
<b>NAIC Executive Office – Washington, D.C.</b> Dates: May 24 - 25	<b>Host State—State Insurance Department</b> Week 1 – 5: October 25 – November 2
	<b>NAIC Executive Office – Washington, D.C.</b> Dates: November 29 – 30

**Proposed Dates for 2011 Internship Program**

<b>Timeline for Spring 2011 program</b>	<b>Timeline for Fall 2011 program</b>
<b>NAIC Central Office, Kansas City, Missouri</b> Training Dates: April 18 – 22	<b>NAIC Executive Office – Washington, D.C.</b> Dates: November 1 - 2
<b>Host State—State Insurance Department</b> Week 1 – 5: April 25 – May 27	<b>NAIC – National Meeting – Washington, D.C.</b> Dates: November 3 - 6
<b>NAIC Executive Office – Washington, D.C.</b> Dates: May 31 – June 1	<b>NAIC Central Office, Kansas City, Missouri</b> Training Dates: November 7 – 11
	<b>Host State—State Insurance Department</b> Week 1 – 5: November 14 – December 16

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## **PROPOSED INTERNATIONAL TRAINING CURRICULUM**

### **INSURANCE REGULATION AND SUPERVISION IN THE UNITED STATES**

#### **Day 1**

- 9:15 – 9:30      **Welcome Remarks/Photo**
- 9:30 – 9:45      **Program Overview**
- 9:45 – 12:00    **Introduction: Basic Functions of Insurance Regulation**
- 12:00 - 1:30    *Lunch*
- 1:30 – 2:15      **Overview of Market Regulation: Unfair Trade Practice Acts, Market Analysis, Market Conduct Exams, Consumer Complaints**
- 2:15              *Break*
- 2:15 – 2:45      **Producer Licensing: Qualifications, Examinations, Continuing Education Requirements & Background Checks**
- 2:45 – 4:00      **Property/Casualty Rate and Product Review**

#### **Day 2**

- 9:00 – 9:45      **Regulating Life Insurance Sales – Problems and NAIC Models (Replacement, Disclosure, Suitability)**
- 9:45 - 10:30    **Principles Based Reserving-Life**
- 10:30             *Break*
- 10:45 – 11:30   **Basic Elements of Solvency Supervision: NAIC Accreditation Program**
- 11:30 – 12:00   *Lunch*
- 1:00 – 4:00      **Industry Site visit: Kansas City Life Insurance Company**
- 6:30              **Group Dinner**

**Day 3**

- 9:00 – 10:30 **Financial Analysis (Including Holding Company Analysis)**
- 10:30 *Break*
- 10:45 – 12:00 **Financial Analysis**
- 12:00 – 1:00 *Lunch*
- 1:00 - 2:30 **Reinsurance Overview**
- 3:00 – 5.00 **Industry Site Visit: Assurant Employee Benefits**

**Day 4**

- 9:15 – 10:15 **Financial Condition Examiners Handbook - Risk Focused Examinations**
- 10:15 – 11:00 **Financial Reporting, RBC, Financial Exams**
- 11:00 *Break*
- 11:15 – 12:00 **International Solvency & Accounting**
- 12:00 – 12:45 **Solvency Modernization Initiative**
- 12:45 – 1:45 *Lunch*
- 2:00 - 3:00 **Securities Valuation Office Briefing**
- 3:00 - 4:00 **Health Care Policy Briefing**
- 4:00 – 5:00 **Federal Affairs Briefing**

**Day 5**

- 9:00 – 12:00 **I-SITE Training & Data Collection Methodology**
- 12:00 – 12:45 **IT Data Center Tour**
- 1:00 **Adjourn**

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