

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
INTERNATIONAL INSURANCE ISSUES COMMITTEE
BOSTON, MASSACHUSETTS
JULY 21, 2006
MINUTES

The International Insurance Issues Committee of the National Conference of Insurance Legislators met at the Boston Park Plaza Hotel & Towers, Boston, Massachusetts on July 21, 2006, at 10:30 a.m.

Rep. Mark Young of Vermont, Chair of the Committee, presided.

Other members of the Committee present were:

Sen. Joseph Crisco, CT
Sen. Steven Geller, FL
Rep. Terry Parke, IL
Rep. Joe Hune, MI
Rep. George Keiser, ND
Assem. Ivan Lafayette, NY
Sen. William Larkin, NY

Other legislators present were:

Rep. Sandra Adams, FL
Rep. Pat Patterson, FL
Rep. Franklin Sands, FL
Rep. Dennis Horlander, KY
Sen. Duane Mutch, ND
Sen. Harvey Tallackson, ND
Rep. Donald Flanders, NH
Rep. Daniel Foley, NM
Rep. Kathleen Keenan, VT
Rep. Virginia Milkey, VT

Others present were:

Susan Nolan, NCOIL Executive Director

MINUTES

Upon a motion made and seconded, the Committee voted unanimously to approve the minutes of its February 24, 2006, meeting in Weston, Florida.

EU-US ISSUES OF COMMON CONCERN

Rep. Young welcomed Peter Skinner of Belgium, a Member of the European Union Parliament, as well as Maine Superintendent of Insurance and National Association of Insurance Commissioners (NAIC) President Alessandro Iuppa.

Mr. Skinner briefed members of the Committee on insurance-related events occurring in Europe. He commented on the relationship between European legislation and regulation. He noted that reinsurance legislation that he had sponsored was recently adopted by Ireland and that, by the end of 2008, all EU member nations must have adopted the law. He discussed the template for adoption of common rules among the EU membership, which are known as Pillar I and Pillar II.

Mr. Skinner emphasized that, for EU members, the global environment for insurance and reinsurance is of primary significance. He noted that it is important for the European insurance community to compete in new markets and said that barriers to competition should be removed.

With respect to reinsurance issues, Mr. Skinner said he was impressed with the progress being made between the EU and US. He said he was hopeful that the issue of reinsurance collateral would soon be resolved. He further emphasized the importance of open markets and competition, and he discussed his involvement with new solvency legislation under consideration in the EU.

Rep. Parke thanked Mr. Skinner for coming to NCOIL and expressed his appreciation for the welcome shown NCOIL members who recently visited the EU. He asked Mr. Skinner for an update on reinsurance issues.

Mr. Skinner noted that all necessary laws have been passed at the EU level but that member states had been given two years to introduce laws within their respective parliaments. According to Mr. Skinner, all necessary statutes will be passed by year-end 2008. He noted that members of parliament were meeting with regulators to work on implementation.

Rep. Parke inquired about the issue of legal standing in international dispute resolution matters.

Mr. Skinner noted that thus far there have been no cases to test this issue. He suggested, though, that the process in place to address such disputes was well structured and likely to be effective.

Rep. Foley inquired about difficulties associated with technological modernization for companies in the EU. He also thanked Mr. Skinner for all the work done by the EU on matters of common concern to NCOIL.

Mr. Skinner replied that many of these issues were handled on a business-to-business basis between companies. He noted that, generally, EU regulators are involved only when asked for advice on a particular issue.

Sen. Geller discussed reinsurance. He suggested that there was a reinsurance capacity issue in the US. He asked what type of capacity increase could be expected from EU reinsurers absent the existing US collateral requirements. He also asked for Mr. Skinner's opinion on assertions made by US reinsurers that there are not currently substantial barriers to EU reinsurers.

Mr. Skinner replied that in his opinion any reduction in collateral requirements would lead to additional reinsurance capacity. He indicated that any such increase would likely be more than marginal.

Rep. Foley commented that increasing capacity would not necessarily result in the assumption of additional risk in areas where underwriting policies might dictate that coverage is imprudent.

Superintendent Iuppa reported on the ongoing dialogue between the NAIC and EU regulators. He noted that approximately 90 percent of the issues discussed reflected a common interest between the EU and US. He characterized Solvency II as the next iteration of risk-based capital. He told Committee members that an NAIC working group had been created to address international solvency issues.

Superintendent Iuppa reported that the NAIC and EU had reached an agreement on a memorandum of understanding regarding the exchange of confidential supervisory information. He further reported that the NAIC was closely monitoring the implementation of the EU reinsurance directive. He indicated positive progress and commented that this had moved forward the reinsurance collateral discussions.

Superintendent Iuppa also reported on progress of discussions with the EU on matters concerning the International Association of Insurance Supervisors (IAIS). On the subject of international accounting standards, he noted that two issues were underway at the International Accounting Standards Board (IASB)—phase two of the insurance contracts project, and work on financial instruments. He indicated that there was little change on the subject of finite reinsurance.

ACCOUNTING STANDARDS

Mr. Ed Stephenson of Barnert Associates summarized new developments on international accounting standards. He told Committee members that the IASB intends to release a discussion draft of its insurance contracts project by year-end 2006. He indicated there was worldwide industry concern with IASB work products and that industry representing approximately 70 percent of the worldwide market had made a joint presentation to the IASB outlining many of these concerns. He then summarized the specifics of several insurance accounting issues under consideration and the respective position of the Group of North American Insurance Enterprises (GNAIE) on these matters.

ADJOURNMENT

There being no further business, the Committee adjourned at 11:15 a.m.