

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
INTERNATIONAL INSURANCE ISSUES COMMITTEE
WASHINGTON, D.C.
MARCH 8, 2013
MINUTES

The National Conference of Insurance Legislators (NCOIL) International Insurance Issues Committee met at the Hyatt Regency on Capitol Hill in Washington, D.C. on Friday, March 8, 2013, at 11:30 a.m.

Sen. Travis Holdman of Indiana, acting chair of the Committee, presided.

Other members of the Committee present were:

Rep. Greg Wren, AL	Sen. David O'Connell, ND
Rep. Matt Lehman, IN	Rep. Charles Curtiss, TN
Rep. George Keiser, ND	Rep. Bill Botzow, VT

Other legislators present were:

Sen. William Haine, IL	Rep. Kevin Murphy, MA
Rep. Joseph Fischer, KY	Sen. Norman Sanderson, NC
Rep. Jane Pringle, ME	Rep. Brian Kennedy, RI

Also in attendance were:

Susan Nolan, Nolan Associates, NCOIL Executive Director
Ed Stephenson, Nolan Associates, NCOIL Director of Legislative Affairs—DC
Eric Ewing, Nolan Associates, NCOIL Director of Legislative Affairs

UPDATE ON INTERNATIONAL ACTIVITIES

Commissioner William White of Washington, D.C., representing the National Association of Insurance Commissioners (NAIC), noted that the growth of international risk-spreading has made insurance a global business. He described major international organizations involved with insurance issues, pointing specifically to the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors (IAIS). He said that while these bodies issue only non-binding rulings, there is an expectation among the international community that the U.S. will adhere to the guidelines of international regulators. Commissioner White speculated that the U.S. Administration would pressure federal regulators to follow FSB recommendations on some level, which could in turn influence state regulators.

Commissioner White identified IAIS Insurance Core Principles (ICPs) as major international standards for regulation of insurance markets. He said that in 2010 the U.S. participated in a Financial Sector Assessment Program (FSAP)—a joint effort of the International Monetary Fund (IMF) and the World Bank—that judges jurisdictions in all sectors against international benchmarks, including the ICPs. He said that the state-based insurance system received “fairly high marks” from the assessment. He noted that there will be another FSAP assessment in 2015, which will reflect 2011 revisions to the ICPs.

Commissioner White commented that state regulators have an obligation to engage internationally as American insurers take on more risk overseas. He described three key global initiatives that will impact the U.S. insurance system:

SYSTEMIC RISK

Commissioner White stated that FSB has requested that IAIS develop a methodology to identify Globally Systemically Important Insurers (G-SIIs), as well as a framework of policy measures designed to ensure stability in the global insurance market. He said it is unclear at this point what impact a new framework will have on U.S. companies, but he noted that state regulators and the Federal Insurance Office (FIO) have attempted to make the FSB process consistent with the U.S.-based Financial Stability Oversight Committee (FSOC) process.

IAIS COMMON FRAMEWORK

Commissioner White said that the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) aims to specify how supervisors around the globe can work together to oversee Internationally Active Insurance Groups (IAIGs). He stated that NAIC and the insurance industry believe ComFrame should not add to or duplicate existing regulatory frameworks. He noted that the FIO position on the scope of ComFrame is still unclear. He acknowledged that some in the IAIS community envision both a single group regulator and a single global capital standard emerging from ComFrame, but he said that NAIC feels this is an unnecessary and unlikely development.

U.S.-EU DIALOGUE PROJECT

Commissioner White reported that a Steering Committee of the U.S.-EU Insurance Dialogue Project agreed on a *Way Forward* document, which outlines common objectives and initiatives for insurance supervisors on both sides. He stated that the next step is to determine how to implement the Committee's recommendations. He said that all parties are expected to develop a project plan to be presented at the next in-person meeting of the Committee in Basel, Switzerland.

In response to a question from Rep. Wren, Commissioner White said that state legislators have the ultimate say regarding "structural changes" to the state-based system. He commented that while the FIO is empowered to represent the U.S. internationally, it has no domestic regulatory authority, which forces the FIO and state regulators to work together to ensure that both federal and state views are represented abroad.

INTERNATIONAL INSURANCE ACCOUNTING STANDARDS

Doug Barnert of Barnert Associates reported that a new draft of an Insurance Accounting Standards Board (IASB) insurance contract project is expected within the next two to three months. He said that once the contract draft is released, there will be a 120-day comment period. He suggested discussing the matter further at the NCOIL Summer Meeting in Philadelphia.

Mr. Barnert commented that the IASB believes it has a practicable framework for property-casualty insurance accounting, but that the U.S. p-c industry has issues with the prospective approach of the IASB. He said that the life insurance industry is primarily concerned with whether new IASB standards will more closely follow Statutory Accounting Principles (SAP), which regulators currently use, or follow Generally Accepted Accounting Principles (GAAP).

Rep. Keiser questioned the need to pursue an international standard. Mr. Barnert responded that because there are so many accounting models in use around the globe, international regulators determined that there is a need for a common way of expressing value. Mr. Barnert said that regulators have an interest in knowing whether an insurance company can meet its obligations to consumers.

REPORT ON TRADE ISSUES

Dave Snyder of the Property Casualty Insurers Association of America (PCI) reported that the insurance industry was focused on two key points regarding trade negotiations. He said the first is job creation and the second is protecting the state-based regulatory system from unnecessary intrusions. He claimed that p-c insurers alone were deprived of \$40 billion a year as a result of foreign barriers to trade. Mr. Snyder argued that legislators should oppose trade proposals that would create additional layers of regulation. In particular, he singled out "equivalence" provisions of an EU Solvency II model, which he said allow for discrimination of American companies if the U.S. regulatory system is deemed unequal to the European system.

Mr. Snyder stated that Trans-Pacific Partnership (TPP) negotiations are reaching their final phase and involve agreements related to market openings, transparency, and level playing fields for state-owned enterprises. He commented that state legislators should be involved in trade negotiations because there is no legal basis for regulations until states enact them into law. In response to Sen. Holdman's request for suggestions on ways to get involved, Mr. Snyder said that in addition to the formal International Governmental Policy Advisory Committee (IGPAC) application process, legislators could pursue more informal talks with the Office of the U.S. Trade Representative (USTR).

PRINCIPLES OF GROUP SUPERVISION

Ed Stephenson said that NCOIL is moving toward consideration of principles for group supervision. He stated that the Committee would examine the issue at the NCOIL Summer Meeting.

ADJOURNMENT

There being no further business, the meeting adjourned at 12:30 p.m.