

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS  
INTERNATIONAL INSURANCE ISSUES COMMITTEE  
SAN FRANCISCO, CALIFORNIA  
NOVEMBER 21, 2014  
MINUTES

The National Conference of Insurance Legislators (NCOIL) International Insurance Issues Committee met at the Grand Hyatt San Francisco in San Francisco, California, on Friday, November 21, 2014, at 10:45 a.m.

Sen. Jason Rapert of Arkansas, vice-chair of the Committee, presided.

Other members of the Committee present were:

Rep. Richard Smith, GA	Rep. George Keiser, ND
Rep. Rep. Matt Lehman, IN	Sen. David O'Connell, ND
Rep. Joe Fischer, KY	Sen. Neil Breslin, NY
Rep. Steven Riggs, KY	Rep. Bill Botzow, VT

Other legislators present were:

Sen. Joyce Elliot, AR	Sen. Jerry Klein, ND
Rep. Deborah Ferguson, AR	Sen. Joseph Hardy, NV
Rep. David Livingston, AZ	Sen. Kevin Bacon, OH
Sen. Matt McCoy, IA	Rep. Robert Hackett, OH
Rep. Peggy Mayfield, IN	Sen. Ronnie Cromer, SC
Rep. Peter DeGraaf, KS	Rep. Michael Gambrell, SC
Sen. Thomas Buford, KY	Rep. Alfonso "Poncho" Nevarez, TX
Rep. Janice Cooper, ME	Rep. Willem Jewett, VT
Rep. Ken Goike, MI	Sen. Mike Hall, WV
Sen. Michael Parson, MO	Del. Harry Keith White, WV
Rep. Don Flanders, NH	

Also in attendance were:

Susan Nolan, Nolan Associates, NCOIL Executive Director  
Candace Thorson, Nolan Associates, NCOIL Deputy Executive Director  
Molly Dillman, Nolan Associates, NCOIL Director of Legislative Affairs  
Andrew Williamson, Nolan Associates, NCOIL Director of Legislative Affairs

#### MINUTES

Upon a motion made and seconded, the Committee unanimously approved the minutes of its July 10, 2014, meeting in Boston.

#### INTERNATIONAL ISSUES TASK FORCE ACTIVITY

Sen. Breslin, chair of the International Issues Task Force, reported that earlier in the week he spoke at a U.S. House Financial Services Committee hearing and that Committee members were aware that maintaining state-based regulation is critical.

## IAIS INITIATIVES AND STATE REGULATION

Dave Snyder of the Property Casualty Insurers Association of America (PCI) reported that IAIS in October announced its Basic Capital Requirements for Global Systemically Important Insurers. He said it was the first step in a process to develop group-wide global insurance capital standards and noted that the potential designation of reinsurance companies was deferred for at least a year.

Mr. Snyder said the IAIS development relating most to NCOIL is the insurance capital standard. The Financial Stability Board (FSB), he said, directed insurance regulators to come up with a capital standard for internationally active insurance groups and set an aggressive end-of-the-year deadline. Meanwhile the NAIC, the Federal Insurance Office (FIO), and the Fed are working on a U.S. proposal with significant stakeholder input, he noted.

Mr. Snyder said the IAIS proposed to eliminate "observer status" and to close meetings to everyone but invited guests. He said that while NCOIL, NAIC, Congress, insurers, and consumer organizations have strongly objected, IAIS is moving forward with the proposal.

Mr. Snyder reported the IAIS had issued a final draft issues paper on approaches to group corporate governance and said that while focus has been on capital standards, other international developments are affecting state insurance legislation and regulation.

Mr. Snyder said there has been a push to do more on group supervision internationally. He said the United States system is a ground-up approach where strong capital standards protect every legal entity. He noted that Europe is pushing a top-down approach, and there is concern that this would make the U.S. market less competitive.

Mr. Snyder reported that FIO and the United States Trade Representative (USTR) are considering a covered agreement, as allowed by the Dodd-Frank Act, to preempt state law in the area of reinsurance collateral. He said it has piqued the interest of Congress and raised a number of questions.

Mr. Snyder then noted that ComFrame field testing continues and that the U.S. is undergoing a review for compliance of insurance regulation under the Financial Sector Assessment Program (FSAP) administered by the IMF/World Bank.

Mr. Snyder said NCOIL should be more active in "Team USA" meetings on international capital standards and closed-meetings issues. He said there are meetings regarding FSAP review of the U.S. regulatory system in which NCOIL should be involved. He said IAIS had released a new set of procedures for public comment regarding closed meetings, and he urged NCOIL to weigh in.

Mr. Snyder noted that the Financial Stability Board (FSB) had released a paper that creates a new category of insurance companies that are not systemic, but "critical". He said the FSB definition of critical is "virtually everything that every insurance company does". He said international concepts, beginning with systemically important institutions, are migrating to internationally active insurance groups and now to now "critical" insurers and would bleed over to effect each and every insurance company.

Commissioner Sharon Clark (KY), NAIC Vice President, said a problem with "Team USA" rhetoric is that organizations like the NAIC and NCOIL have been left on the sidelines. She said the insurance marketplace does not have representation on the Financial Stability Board and that U.S. representatives on the FSB are the U.S. Treasury, The Federal Reserve Board, and the Securities and Exchange Commission (SEC). She said NCOIL and the NAIC have no voice regarding covered agreements and that NCOIL and NAIC should partner and have a collective voice.

Commissioner Clark said she was present when the International Association of Insurance Supervisors (IAIS) vote was taken on transparency and commented that the "Team USA" image was tarnished when FIO voted in support of closed meetings.

#### OTHER DEVELOPMENTS

Regarding trade activity, Mr. Snyder of PCI said, among other things, that some in Europe are interested in including financial services in a Transatlantic Trade and Investment Partnership (TTIP). He commented that a number of trade agreement issues will depend on whether Congress reinstates trade promotion authority.

Sen. Breslin said creating a tool kit for state legislators was important so they can be further aware of how international issues impact state-based insurance. He said NCOIL should be at the table for international discussions that have state impacts. Rep. Keiser said the tool kit needs to be developed quickly given the complexity of international insurance issues. He said cooperation from regulators and industry will be important.

#### ADJOURNMENT

There being no other business, the Committee adjourned at 11:45 a.m.