

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
INTERNATIONAL INSURANCE ISSUES COMMITTEE/INTERNATIONAL ISSUES TASK FORCE
CHARLESTON, SOUTH CAROLINA
FEBRUARY 27, 2015
MINUTES

The National Conference of Insurance Legislators (NCOIL) International Insurance Issues Committee and International Issues Task Force met jointly at the Mills House Wyndham Grand Hotel in Charleston, South Carolina, on Friday, February 27, 2015, at 2:30 p.m.

Sen. Dan "Blade" Morrish of Louisiana, chair of the Task Force, presided.

Other members of the Committee present were:

Sen. Travis Holdman, IN	Sen. Neil Breslin, NY
Sen. Ron Crimm, KY	Sen. James Seward, NY
Rep. Steve Riggs, KY	Rep. Bob Hackett, OH
Rep. George Keiser, ND	Rep. Brian Kennedy, RI
Assem. Will Barclay, NY	Sen. Robert Hayes, Jr., SC
	Rep. Warren Kitzmiller, VT

Other legislators present were:

Assem. Ken Cooley, CA
Rep. Mike Henne, OH
Rep. Barbara Sears, OH
Rep. Mike Gambrell, SC

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 November 20 and 21, 2014, meetings in San Francisco, California.

NCOIL OUTREACH REGARDING INTERNATIONAL CONCERNS

Ms. Thorson of Nolan Associates reported that in December 2014 NCOIL submitted comments to the International Association of Insurance Supervisors (IAIS) asserting the value of transparency in state legislative deliberations in the United States and calling for similar transparency and interested-party input at the IAIS.

Ms. Thorson noted that after NCOIL President Sen. Neil Breslin testified before Congress on November 18 regarding insurer capital standards, the United States Government Accountability Office (GAO) submitted questions to NCOIL so the organization could help inform a forthcoming GAO report on the issue.

DEVELOPMENTS REGARDING IAIS, FINANCIAL STABILITY BOARD (FSB), AND RELATED ENTITIES

Dave Snyder of the Property Casualty Insurers Association of America (PCI) noted that the IAIS had previously operated on a pay-to-play basis where to gain access to debates and discussions, interested parties had to pay fees. He said the pay-to-play system was not well received and subsequently all IAIS meetings were closed, with the exception of an initial meeting, a consultation at the end, and occasional town-hall style meetings. He noted that many interested parties objected to the IAIS closed meeting rule, including NCOIL, National Association of Insurance Commissioners (NAIC), Congress, and U.S. and global insurance entities. Mr. Snyder commented that the closed-meeting rule undercuts the quality and credibility of the work of IAIS.

Mr. Snyder said that members of the Insurance Services Office (ISO) had issued a quarterly report and found that the property-casualty industry was performing well. He also said that the IAIS found parallel conclusions of good performance in the global market.

Mr. Snyder said that the FSB directive that international regulators develop a quantitative capital standard for internationally active insurance groups had not been well received. He said the order represented a dictate from the G-20, in which there is no state-level representation. He noted that since the FSB requested that IAIS come up with the global standard, the IAIS had put out a major consultation document with a February 2015 deadline for comments. He said that in reviewing the comments, there was a surprising amount of uniformity among the United States and European industries. He noted that the general opinion of the industry is that there is no need to create another insurer solvency system.

Mr. Snyder said that state regulators and the NAIC have been very skeptical of many aspects of the IAIS capital standard and that despite their concerns, the IAIS has continued with its plan to create a single international standard that would be achieved through global convergence.

Mr. Snyder said that although attention largely has been on financial regulations lately, the IAIS has released papers on market conduct and corporate governance. He said the IAIS had finished a key conduct-of-business paper that tracked U.S. market conduct oversight. He said he also expects insurance company executive compensation to be an active issue moving forward.

Mr. Snyder said that additionally systemic risk designations have been ongoing and that another designation was made of a major U.S. company, thereby subjecting the company to Federal Reserve regulation. He said once a company is designated it is almost impossible to get undesignated, even if activities of the company change.

Mr. Snyder said that transparency issues continue to be of interest and that federal policies being at odds with state policies continue to be a concern. Mr. Snyder said that NCOIL in the next few years should stay focused on defending state regulation.

In response to a question by Rep. Keiser regarding whether standards were binding or whether further action was required, Mr. Snyder said that while not binding, the standards put forward by IAIS are used by the International Monetary Fund (IMF) and the World Bank in reviewing a regulatory system for compliance with international standards. He also said that IAIS documents influence debate over who will regulate insurance in the future.

TRADE AGREEMENT ACTIVITY

Mr. Snyder said that the U.S. insurance market is growing but at a relatively slow rate. He said that most of the market growth in the future will be in emerging markets and, as a result of this, there is a strong interest in encouraging companies to be globally competitive and to expand internationally in order to create jobs in the U.S. He said there are a number of U.S. companies ready to provide coverage overseas but that barriers to trade are a problem. He said trade agreements provide long-term protection to markets, which is particularly suited to the long-term nature of insurance.

Mr. Snyder said the United States Trade Representative (USTR) is the negotiator of trade agreements and has extensive requirements for consultation with states, the NAIC, and interested parties. He said the Trans-Pacific Partnership (TPP) is a Pacific Rim partnership that has been negotiated for several years and is the trade agreement with the most activity. He reported that the Trans-Atlantic Trade and Investment Partnership is a free trade agreement being negotiated with Europe but that there are deep-seated issues that are preventing it from moving forward. He also noted that there is continued regulatory discussion between the U.S. and the EU. He said that so far the trade agreements have not undercut state insurance regulation, but there is a concern that U.S. trade negotiations will challenge state regulation already in place.

Mr. Snyder noted that increasing intrusion into state regulation by federal and international bodies will most likely continue without state and congressional action. He said that states should not oppose discussion with international peers but should be observant as to when there needs to be involvement. He said that NCOIL and NAIC cooperation is very important to success and that the organizations should partner to make their own "Team USA."

In response to a question by Rep. Keiser about why the U.S. should compromise its standards, Mr. Snyder responded that the answer to that depends on what is best for U.S. markets and U.S. consumers.

Doug Barnert of Barnert Associates responded that the U.S. should be aggressive and convince others that the U.S. system is better, otherwise the FSB will eventually dictate the system on which we operate.

Mr. Snyder said he feels that working with FIO and the Federal Reserve on a common position could be difficult as their positions may be at odds with the states.

TEAM USA INITIATIVE AND NCOIL PARTICIPATION

Commissioner Monica Lindeen (MT), NAIC President, said that Team USA was created in order to protect the rights of states. She said that cooperating and exchanging and addressing ideas and concerns at the state and the federal levels are the most important things that Team USA can do to preserve state-based regulation. She said NCOIL is part of Team USA and that it is important for all participants to be involved.

NCOIL LEGISLATIVE TOOLKIT

Ms. Thorson said the purpose of the Toolkit is to help legislators identify pressing international issues. She said that the Toolkit includes materials that interested parties and legislators

contributed, as well as NCOIL documents, supporting materials, letters, resolutions, and talking points.

Rachel Jensen of the American Insurance Association (AIA) said that while the Toolkit is a good start, it should be updated to reflect activity that took place since interested parties submitted information in the fall of 2014. She said that there are also some inconsistencies regarding the kinds of documents submitted. She suggested updating the materials in the Toolkit before distributing it to legislators.

Joe Thesing of the National Association of Mutual Insurance Companies (NAMIC) echoed Ms. Jensen's suggestion.

In response to a question by Rep. Keiser regarding how NCOIL would handle systematically updating the Toolkit, Mr. Thesing responded that international insurance issues are always changing and that the industry is ready to help keep the Toolkit relevant and up-to-date.

Dennis Burke of the Reinsurance Association of America (RAA) suggested that NCOIL distribute the Toolkit as soon as possible with a letter saying that NCOIL will make updates in the near future. He said that legislators are in session and attending committee meetings and if NCOIL chooses to update the Toolkit, it should be done quickly.

Assem. Cooley said the voice of legislators needs to be heard and that NCOIL needs to get international issues on their radar screen as soon as is possible.

Sen. Morrish said the Toolkit needs to be adopted and in the hands of insurance and banking committee legislators. He said moving forward NCOIL can work with the industry to make updates.

Sen. Breslin moved to give the industry ten days to submit updates, and then NCOIL would distribute the Toolkit with a cover letter stressing the importance of the issue. The motion was adopted via unanimous voice vote.

ADJOURNMENT

There being no further business, the Committee adjourned at 3:45 p.m.