

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
INTERNATIONAL INSURANCE ISSUES COMMITTEE
SEATTLE, WASHINGTON
JULY 20, 2007
MINUTES

The International Insurance Issues Committee of the National Conference of Insurance Legislators (NCOIL) met at the Sheraton Seattle Hotel & Towers in Seattle, Washington, on July 20, 2007, at 10:45 a.m.

Rep. Frank Wald of North Dakota, chair of the Committee presided.

Other members of the Committee present were:

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| Sen. Vi Simpson, IN | Rep. George Keiser, ND |
| Sen. Chris Steineger, KS | Assem. Nancy Calhoun, NY |
| Rep. Dennis Keene, KY | Sen. William J. Larkin, Jr., NY |

Other legislators present were:

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| Sen. Ruth Teichman, KS | Rep. William Batchelder, OH |
| Rep. Tommy Thompson, KY | Rep. Brian Kennedy, RI |
| Sen. Delores Kelley, MD | Rep. Charles Curtiss, TN |
| Rep. David Law, MI | Rep. Craig Eiland, TX |
| Rep. Joe Atkins, MN | Rep. Warren Kitzmiller, VT |
| Sen. David O'Connell, ND | Rep. Michele Kupersmith, VT |

Others in attendance were:

Susan Nolan, Nolan Associates, NCOIL Executive Director
Mike Humphreys, NCOIL Director of Legislative Affairs & Education, Life, Health, and Workers' Compensation Insurance

MINUTES

Upon a motion made and seconded, the Committee voted unanimously to approve the minutes of its March 2, 2007, meeting in Savannah, Georgia.

EU/US ISSUES OF COMMON CONCERN

David Matcham, chief executive of the International Underwriting Association (IUA), spoke to developments in the U.K. and EU. He said that there was a new British Prime Minister, Gordon Brown, and that the financial services industry anticipated no significant changes under his oversight.

Mr. Matcham said the new British Insurance Commissioner, Hector Sants, had served as a deputy under the outgoing John Tyner and, therefore, had substantive experience with current financial services issues. Mr. Matcham discussed in general terms the appointment process for the commissioner position and spoke to the legacy of Mr. Tyner, outlining several accomplishments that took place during his tenure.

Concerning Solvency II, Mr. Matcham told Committee members that a framework directive, regarding changing the EU solvency regime, would be introduced on October 7. Upon the request of

Rep. Eiland, Mr. Matcham overviewed how the EU system operates. He described a paradigm based on the concept of a host-state regulatory system, in which an insurer licensed in one EU member state has automatic authority to conduct business in all 26 member states, which he referred to as a passport system.

Mr. Matcham noted that Solvency II will introduce new standards that will have to be overseen by each member state, citing as an example the “lead regulator” concept that will enable the regulator from an insurer’s country of domicile to also regulate that insurer’s activities in other EU member countries where such insurer has a presence. He said that this would replace the existing patchwork regulatory regime.

Mr. Matcham said that Solvency II will introduce higher regulatory-required minimum capital levels, and explained that these levels will be linked to the types of risks within a company. He said the existing 13 EU directives concerning solvency will be combined into one directive.

With regard to process and timetable, Mr. Matcham noted that Solvency II has been ongoing for approximately six (6) years and that the target completion date is October 31, 2012, with many phases to be implemented during the interim. Mr. Matcham noted that Peter Skinner, a member of the British Parliament, will be responsible for overseeing the political process connected to Solvency II.

Brett Palmer of the National Association of Insurance Commissioners (NAIC) said the NAIC has a working group that provides input to the EU on Solvency II issues. He described solvency efforts being undertaken by the International Association of Insurance Supervisors (IAIS) and the NAIC’s role in supporting their efforts.

Rep. Eiland requested that a short paper be prepared to brief NCOIL legislators on Solvency II and its importance. He further suggested that the time was right for NCOIL to send a delegation to visit the EU, similar to what NCOIL had done two (2) years earlier.

In response to a question from Rep. Keiser, Mr. Palmer said that Solvency II would be a different, risk-based approach to solvency monitoring and that simple comparisons with U.S. solvency monitoring were not possible.

Mr. Matcham then suggested that Solvency II might be considered a deeper, more sophisticated form of regulation.

INTERNATIONAL ACCOUNTING STANDARDS

Brett Palmer of the NAIC said the International Accounting Standards Board (IASB) had published a discussion paper on, and asked for comments regarding, preliminary views on insurance contracts. He said the concept envisioned would impact U.S. accounting and likely compel modification of the U.S. system. He then discussed a Securities and Exchange Commission (SEC) proposal that could make U.S. operations more complex if the U.S. does not align itself with new international standards.

In response to a question from Rep. Eiland, Mr. Palmer discussed the anticipated time frames for Solvency II and the IASB effort.

ADJOURNMENT

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