

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
INTERNATIONAL INSURANCE ISSUES COMMITTEE
PHILADELPHIA, PENNSYLVANIA
JULY 10, 2009
MINUTES

The National Conference of Insurance Legislators (NCOIL) International Insurance Issues Committee met at the Marriott Downtown in Philadelphia, PA, on Friday, July 10, 2009, at 9:20 a.m.

Sen. Carroll Leavell of New Mexico, vice chair of the Committee, presided.

Other members of the Committee present were:

Sen. William R. Haine, IL	Rep. Kathleen Keenan, VT
Rep. Barb Byrum, MI	Sen. Mike Hall, WV
Rep. George Keiser, ND	Sen. Joseph Minard, WV

Other legislators present were:

Sen. Richard Miranda, AZ	Rep. Dennis Horlander, KY
Rep. Perry Thurston, FL	Sen. Jerry Klein, ND
Sen. Ralph Hudgens, GA	Rep. Don Flanders, NH
Rep. Ronald Crimm, KY	Rep. Dan Dodd, OH

Also in attendance were:

Susan Nolan, NCOIL Executive Director
Candace Thorson, NCOIL Deputy Executive Director

MINUTES

After a motion made and seconded, the Committee voted unanimously to approve the minutes of its meeting on February 28, 2009, in Washington, DC.

GLOBAL EFFORTS TO ADDRESS CURRENT AND FUTURE FINANCIAL CRISES
David Matcham of the International Underwriting Association (IUA) described European solutions to address systemic risk, including a proposed European Systemic Risk Council and proposed European system of financial supervisors. He said that European insurers were concerned that the bank-centric focus of the systemic risk proposals could create more bureaucracy and inefficiencies for insurance companies.

Doug Barnert of the Group of North American Insurance Enterprises (GNAIE) said that efforts to address the financial crisis were also underway in Asia and the U.S., among other places.

Rep. Keiser said that assessments of the world financial crisis on the micro-economic level had been relatively accurate and questioned whether there was any macro-level analysis. Mr. Matcham said that economic advisors to world leaders had done macro analysis.

Responding to a question from Sen. Haine regarding whether Europe was moving toward a freer market, Mr. Matcham said that Europe was continuously trying to improve on its single market for the 27 countries that make up the European Union (EU).

Rep. Wren and Mr. Matcham then discussed U.S. insurance regulation and calls by certain industry interests for a federal insurance regulator. Rep. Wren said that state insurance regulation had been robust for 150 years and noted that 20 of the world's 50 largest insurance markets were U.S. states. Mr. Matcham agreed that U.S. insurance markets are well-regulated and said that it might be easier for certain global industries, like reinsurance, if the U.S. had a single regulator to enter into binding agreements with foreign countries.

IASB/FASB INSURANCE CONTRACTS DECISIONS

Mr. Barnert described the most active international accounting projects at the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), which he said related to complete revision of financial instruments valuation and of the fair value standard. He said that the Group of Twenty (G 20) had recently asked the IASB and FASB to complete the revisions by the end of 2009. He noted that a previous financial instruments project had taken 12 years to complete.

Mr. Barnert also discussed ongoing efforts regarding an insurance contract standard. He summarized debates relating to whether or not to take into account risks to policyholders. He said that the idea of fair value for insurance contracts—which would not consider such risks—appeared to be dead. Instead, he said, that FASB and IASB appeared inclined to support fulfillment value to assess insurance claims liabilities. He said that he expected an exposure draft on the project that year and that the standard could have implications for taxes and state valuation laws—though he said there would be a transition period.

FEDERAL EFFORTS TO ELIMINATE FAVORABLE OVERSEAS TAX TREATMENT

Brad Kading, on behalf of the Coalition for Competitive Insurance Rates (CCIR), said that the Coalition had organized to oppose tax legislation that was introduced in 2008 and that Congressman Richard Neal (D-MA) was expected to reintroduce in 2009. He said that the bill would limit the ability of a U.S. subsidiary of a foreign insurer to do business with the foreign insurer. He added that, in addition to the Coalition, several insurance regulators had opposed the legislation and said that the Obama Administration had not included the possible new tax in its budget proposal.

Mr. Kading reported that a group of academics had studied the possible effects of the bill and concluded that it would reduce the U.S. reinsurance supply by 20 percent and increase insurance prices for U.S. consumers by \$10 to \$12 billion annually. He said that the study, entitled *The Impact on the U.S. Insurance Market of a Tax on Offshore Affiliate Reinsurance: An Economic Analysis*, also had found that U.S. and non-U.S. insurance groups use affiliated reinsurance parties to nearly the same degree.

Sen. Haine asked about the Congressman's motive in introducing the legislation. Mr. Kading answered that the bill was supported by twelve U.S. insurance groups, including many of the Congressman's constituents.

SOLVENCY II GROUP SUPPORT CONCERNS

National Association of Insurance Commissioners (NAIC) President Commissioner Roger Sevigny (NH) reported that while agreement had been reached on the Solvency II framework in April 2009, officials had not endorsed group support. He said they had not agreed because countries did not sufficiently trust that a supervisor in one country would not give preferential treatment to his/her citizens should there be an insolvency or other financial trouble. He reported that the EU would address group support in another directive in a few years.

Mr. Matcham said that the insurance industry was disappointed that group support had not been included in the Solvency II directive but that the industry regarded the Solvency II framework as mostly positive. He added that Solvency II was on track for 2012 implementation.

Mr. Kading said that third-country equivalency tests were expected to begin in late 2010 and conclude in 2011. He said that the European Commission would make decisions in 2011 regarding jurisdictions that would be deemed qualified to access EU insurance markets.

Mr. Barnert reported that GNAIE was working with state regulators, in the event that the U.S. federal government had not created a federal insurance regulator, to make sure that the NAIC would be prepared to argue that the standard-setting method used for accreditation was equivalent for purposes of the European equivalency tests.

ADJOURNMENT

There being no further business, the meeting adjourned at 10:00 a.m.