

International Report



National Association of Insurance Commissioners

Issue No. 32-33

September - December
2008



Mark Your Calendar:

*NAIC International Issues Conference
May 4-5, 2009 - Washington, DC*

2008 YEAR-END REVIEW

Highlights of NAIC Regulatory Cooperation Efforts:

ASIA

China

Recognizing the potential marketplace in China and its increasing role as a global player, the NAIC has developed a very strong bilateral relationship with CIRC, which started by signing an MOU in 2003. Since then, the NAIC has met with CIRC bilaterally several times a year. At the invitation of Chairman Wu Dingfu, an NAIC delegation led by NAIC President Sandy Praeger (KS) met with the Chairman and Vice Chairman Li Kemu in Beijing in April 2008. In May 2008, Former NAIC President Walter Bell and Commissioner John Morrison participated in a US government led China Insurance Dialogue in Hangzhou, China.

The meetings provided an opportunity to discuss issues of concern. In Hangzhou, the NAIC presented the US experience with natural catastrophes, the work on investment related insurance products, corporate governance and

microinsurance. The next US-China Insurance Dialogue will take place in the spring of 2009.

The week of November 10-14, NAIC President Praeger traveled with NAIC Vice President and West Virginia Insurance Commissioner Jane Cline, Montana Insurance Commissioner John Morrison and NY's Deputy General Counsel, Martha Lees, to Beijing to meet with US Embassy Officials, members of the American Chamber's Insurance Forum, China Life, and CIRC. During the regulator to regulator dialogue, NAIC met with members of CIRC's research and international departments. Requesting a more detailed explanation of the AIG situation from NY, Martha Lees provided a presentation on the situation with AIG and answered questions about credit default swaps

Inside:

- Insurance Dialogues
- OECD Meeting
- Winter Intern Program
- Trade Report
- IAIS Report
- International Calendar

as well as highlighted the role of the NY department in handling the financial market turmoil.

To strengthen the NAIC and CIRC's regulatory cooperation efforts, NAIC President Praeger signed an addendum to the MOU with CIRC's Vice Chairman Li Kemu, which includes an extension of the CIRC's participation in the training program and an information exchange protocol. The development of a regular channel of communication between the organizations respective financial experts on matters involving insurance markets is critical. This is even more important when questions arise regarding financial regulation and the role of insurance issues in contributing to the stability of global financial markets. CIRC recognizes the importance of engaging globally and Chairman Wu Dingfu was appointed to the IAIS Executive Committee at the IAIS Annual Conference in October. They have shown their commitment to the organization also by sending a secondee to the IAIS for the second time.

After the formal signing of the addendum to the MOU, NAIC President Praeger met with Vice Chairman Li Kemu and responded to his questions about the status of insurance in the US regulatory system, with a particular interest in if there will be changes with the new Obama administration. While the group briefly talked about possible topics for the next Joint Insurance Working Group, no topic was confirmed. In light of the globalization of insurance markets, the New York DOI currently has a draft MOU with CIRC.

Thailand

The increasing demand for insurance products in Asia and the current stress in the market has reconfirmed the importance of developing and maintaining effective regulatory cooperation. After signing an MOU with Thailand's Office of Insurance (OIC) in June 2008, the NAIC offered to provide a seminar on the US insurance regulatory system during a visit to Thailand in November 2008. In addition, due to the recent financial turmoil, the OIC asked the

NAIC to provide an overview of the situation with AIG and how states coordinated their regulatory efforts in response. Deputy General Counsel Martha Lees' presentation highlighted the New York's role, how credit default swaps (CDS) became problematic and the options to regulate them. Many of the industry participants at the seminar questioned the NAIC and the NYDOI's responsibility with respect to the financial turmoil in the US. The NAIC clarified that AIG is a financial holding company and the issues facing it are subject to federal regulatory oversight by the US Office of Thrift Supervision. NAIC members reconfirmed that because of state insurance regulation and its solvency monitoring tools, AIG's 71 insurance regulated entities are financially sound.

While in Bangkok, the General Insurance Association and the Thai Life Assurance Association explained to the delegation how their associations function. During both meetings, there was a very open and candid discussion about the state of the global economy and the impact of insurance companies during these uncertain economic times. To gain a greater understanding of the political and economic climate in Thailand, the delegation met with the US Embassy in Bangkok. Following the meetings with the embassy official, the group met with the Secretary-General from the Ministry of Finance and the Minister of Finance. During both of those discussions, the NAIC noted the importance of guarantee funds in the US insurance system and agreed to share with the OIC any information relative to how guarantee funds function.

Korea

As hosts of the summer IAIS Triannual Meetings in Seoul, Korea and as a new member of the IAIS Executive Committee, it is evident that Korea has dedicated the time and resources to play an active role in global standard setting. In June 2007, the NAIC and Korea's Financial Supervisory Commission (FSC) and Financial Supervisory Service (FSS) signed an MOU. In 2008, NAIC staff has responded to requests from Korean embassy officials, research

institutes and Washington DC based FSC staff. California and Hawaii have volunteered this year to each host 1 Korean insurance regulator for 1 to 2 years, as part of an extended training program. With the current strength of their insurance market, Korea will continue to be one of the major players in Asia.

Japan

As one of the largest insurance markets in the world, the NAIC has maintained stable relations with Japan for a number of years bilaterally and through its active participation at the IAIS. Recently, Tatsuo Yamasaki, the new Director for International Relations for Japan FSA became the Vice Chair of the IAIS Executive Committee. The NAIC has been engaged in the US government dialogue as part of the US-Japan Financial Services Working Group meeting in March 2008. Commissioner Hampton (DC) answered questions about the US state based regulatory system and noted the modernization efforts underway in the US, highlighting principles-based life reserving. The Japanese continue to focus on three key issues: 1) unification of state based regulatory system through the adoption of option federal charter, 2) elimination of reinsurance collateral requirement, 3) abolition of trusteed surplus requirement. According to the Japanese industry, there is a significant difference between domestics/foreign and aliens in the handling and maintenance of required assets. NY, CA and AZ have been meeting bilaterally to address some of these concerns on the trusteed surplus requirement outside of the formal US-Japan Insurance Dialogue.

Commissioner Urias will participate in the US-Japan Insurance Consultation on December 8 in Tokyo, Japan and receive updates on administrative procedures such as the insurance cooperatives, the policy holder protection corporation and bank sales of insurance. Health experts in NAIC's DC office also met with a Japanese Research Institute, Aioi, to gain a better understanding of how health insurance is regulated in the US. Aioi hoped to use information gathered during their meeting with

the NAIC and others for a study of the most effective way for Japan to shape their future of health insurance.

Vietnam

In 2003, Vietnam's Ministry of Finance, Department of Insurance (MOF), signed an MOU on regulatory cooperation and in 2008, representatives met on two formal occasions. The NAIC welcomed a delegation from Vietnam's Ministry of Finance, Insurance Department and Vietnam's insurance industry (AIA Vietnam, Prudential Life, and Manulife) to meet with NAICs technical experts in Kansas City, Missouri, in May 2008. The group met with the NAIC's staff and gained insight into the roles and functions of CSO 1980 mortality table, its history, and experiences on database collection and human resource. Additionally, NAIC market conduct experts provided an explanation of agent professionalism, which included licensing, training, administrating and requirements for agents who sell universal life products and variable life products. The Vietnamese delegation was particularly interested in questions on how the NAIC accumulates information using its electronic database and the use of the information in the database.

In August of this year, high-ranking officials within Vietnam's Ministry of Finance involved in setting up the Vietnam Insurance Institute/Training Center met with NAIC staff in the Washington, DC office. The project aims to establish a Vietnam Insurance Academy and is under the auspices of Ministry of Finance. The group questioned the process for establishing a comprehensive education and training program and asked the NAIC to provide available materials that would be useful for their feasibility study.

As part of the NAICs MOU with Vietnam, a work program for 2009 is currently being reviewed. The proposal from Vietnam includes consulting with the Ministry of Finance of Vietnam in its development of its insurance law; sending a working group to Vietnam to

introduce risk based capital and risk-based supervision and provide recommendations on its implementation in Vietnam; and receiving interns from Vietnam. The NAIC looks forward to finalizing the 2009 work program and continuing to share and learn from one another's regulatory practices.

India

While the NAIC does not have a formal MOU with India, there is a long history of cooperation with the South Asian nation. The NAIC welcomed the appointment of Mr. Hari Narayan in June 2008, the new Chairman of India's Regulatory Authority (IRDA) and his selection as the Chair of the IAIS Implementation Committee. Mr. Narayan was the former Chief Secretary of the Government of Andhra Pradesh and has been appointed as IRDA's Chairman for a period of five years. Part of NAIC's international activities includes participating with other federal agencies in formal financial regulatory dialogues.

The most recent US-India Financial and Economic Forum was held in Washington, DC June 11-12, 2008. NY Department and NAIC staff contributed by highlighting the US experience with respect to the global financial turmoil and provided a more formal presentation on mortgage guarantees insurance to the discussion on the insurance and pensions sector.

In October 2008, representatives from the Federal Reserve Bank of India met with the NAIC's Securities and Valuation Office and the NY Department of Insurance. While in the US, they also met with the Office of Thrift Supervision to discuss mortgage products in the U.S. and with the Medical Professional Insurance Liability to gain insight from the industry.

Latin America

Brazil

The NAIC is continuing to work with SUSEP in finalizing a work program for 2009. After signing an MOU on enhancing cooperation in 2005, three regulators from SUSEP have

participated in the NAIC's International Intern Program. In addition, the NAIC experts provided technical assistance on solvency monitoring tools, reinsurance and Insure U during seminars held in Brazil. SUSEP regulators also spent 10 days in New York focusing on reinsurance and financial analysis training. With the largest insurance market in Latin America, it is important to continue to strengthen our regulatory cooperation initiatives and provide the necessary technical assistance. The IAIS Annual Conference 2009 will be held in Rio de Janeiro, Brazil.

ASSAL

Puerto Rico's Department of Insurance has been actively engaged in the Annual Association of Latin American Insurance Supervisors (ASSAL). Earlier this year at the ASSAL Annual meeting held in Madrid, Commissioner Juarbe (PR) and Commissioner Holland (OK) presented on two panels; tools for anti-money laundering in the insurance sector and group supervision in the US.

As part of Puerto Rico's dual roles, as a member of both ASSAL and the NAIC, a training program was developed between ASSAL's Executive and Education Committees, the Puerto Rico Insurance Department (OCS) and the NAIC. It was decided that the use of a simulation game on solvency known as "\$SOURCE" (Simulated Operating and Underwriting Results in a Competitive Environment) licensed by Tower Perrins was an excellent tool to approach basic insurance principles as defined by the IAIS.

Additionally, the El Salvador November 2008 program would be an appropriate venue to explain and showcase both the NAIC Education and Training department course catalogue and the International Internship program, where Latin American insurance regulators are not as strongly represented as others.

Towers Perrins representative, Thomas Bailey, volunteered expertise materials and to make the project feasible. All background and illustration

materials were translated into Spanish by Puerto Rico department staff and introduced during five consecutive sessions over three days in El Salvador. A total of thirty-two Latin American insurance regulators, including Hon. Ricardo Garcia, Insurance & Banking Superintendent in Panama, Mr. Osvaldo Macias, Chief Deputy from Chile and Mr. Sigfredo Gómez, Chief Deputy for Finance services from El Salvador participated in the training exercise, personally conducted in Spanish by Mr. Bailey.

Introducing the exercise in light of the present global financial crisis, Puerto Rico emphasized on the following concepts as defined by the ICPs promulgated by IAIS: corporate governance (ICP no. 9), suitability of persons in insurance (ICP no. 7), risk management (ICP 18) insurance activity (ICP 19) and liabilities (ICP 20) and investments (ICP 21).

The introduction further emphasized the need to coordinate regulatory decisions to encourage economic development. The approach furthered the participants' interest and enthusiasm for this type of opportunity and opened the room for discussion. In conclusion, participants were education opportunities by the NAIC Education & Training Department of interest to International Insurance Regulators as well as on the Internship Program; two regulators from Mexico and El Salvador have already committed their interest to the internship experience.

MOUs

The importance of regulatory cooperation has only been exacerbated with the current financial market turmoil. The NAIC's global involvement has led to 10 MOUs on regulatory cooperation, including signed agreements with China, Iraq, Egypt, Hong Kong, Russia, Vietnam, Korea, Brazil and ASSAL (Association of Latin American Insurance Supervisors) and Thailand. The NAIC also has agreed to a model MOU on information exchange between EU supervisors and U.S.-led supervisors of insurance group members with transatlantic operations and

between the Mexican Supervisor and US-led supervisors.

New York's Department of Insurance has signed agreements with regulators in France, Germany, the United Kingdom, Taiwan, Bermuda and draft MOUs exist with China, Thailand, Macau and Hong Kong. Additional agreements signed between states and EU countries include; Iowa-Netherlands, California-Germany, and Nebraska-Germany. Currently, Switzerland and California are working on finalizing a draft MOU.

Middle East

In recent years, the NAIC has increased its regulatory cooperation with regulators in the Middle East. NAIC has signed MOUs with Iraq and Egypt. As members of the IAIS, NAIC has an opportunity to meet with regulators several times a year. Through the NAIC's Intern program, regulators from Saudi Arabia, Jordan, Egypt and Lebanon have gained insight into the practices of US regulation through their participation in the program. This year, as part of a World Bank mission to Saudi Arabia, the NAIC participated in a project to assist in the development of regulation for the newly privatized health market. From July 9-20, 2008, New York Department of Insurance Supervising Examiner Jack Chaskey accompanied the World Bank mission in its effort to assist the Counsel of Cooperative Health Insurance (CCHI).

The Saudi Arabian "Cooperative Health Act" created a privately regulated health market. As a first step, the Kingdom of Saudi Arabia will require employers to provide healthcare of its workers by purchasing insurance. The Kingdom began implementing the transition from government-provided health services to a private insurance third-party payer system in 2006, with the application of mandates incrementally to the foreign workers of private companies. As a result, the CCHI will jointly regulate health insurance companies and other intermediaries in cooperation with the Saudi Arabian Monetary Agency (SAMA).

While members of the CCHI have not directly participated in the NAIC's training programs, they hope to benefit from the information sharing among SAMA's colleagues. To help understand the development of insurance in the Middle East, it is helpful to define *Takaful*. Islamic insurance is a co-operative system of support whereby a number of individuals share the risk of potential loss to any one of them. In the event of loss occurring, the participants defray the cost incurred to that individual form the payment. It is a pact among a group of persons who agree to jointly indemnify the loss or damage that may inflict upon any one of them, out of the fund they donate collectively.

The *Takaful* contract so agreed usually involves the concepts of *Mudarabah*, *Tabarru'* (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty. The premium or donation is for the benefit of all and avoids the gambling and usury prohibitions often associated with profit-taking in a commercial insurance enterprise that benefits a third-party

such as the owner or stockholder who takes a share of the donations for their own mercantile interests. *Takaful* has existed for centuries going back to inter-tribal protections of the Babylonians and is reminiscent of U.S. insurance roots going back to the cooperative fire companies and fraternal benefit societies that developed the concept of a mutual insurance risk bearer. As regulators operating in a global market, understanding new concepts and different approaches by sharing and cooperating more closely has become essential.

Report Courtesy of Jack Chaskey (New York Insurance Department)

Russia

After signing an MOU with Russia's FSIS, the NAIC has hosted two regulators as part of the international training program. The NAIC will work with Russia to develop a comprehensive work-plan for 2009.

OECD INSURANCE COMMITTEE MEETS DECEMBER 4-5

Priorities Confirmed for 2009-2010

The Insurance and Private Pensions Committee of the Organization for Economic Cooperation and Development (OECD) convened on December 4-5 in Paris. Participants from the 30 Member countries and private sector representatives engaged in discussions on a number of issues, including effective monitoring of insurance markets, the impact of the financial crisis on insurers, and corporate governance.

A special roundtable discussion reviewed corporate governance issues, related to a joint IAIS-OECD initiative on corporate governance. In a later meeting, Members of the joint task force reviewed a draft survey of industry and regulators on governance issues to supplement work done by the World Bank to collate the responses from supervisors to the joint OECD-IAIS survey.

The Committee also discussed a revised stocktaking paper on "regulatory effectiveness and efficiency" drafted in collaboration with the OECD Committee on Financial Markets. The Committee concluded with discussions of financial education and a project to address the financial management of large-scale catastrophes.

NAIC Engages in Insurance Regulatory Dialogues

Meetings with the EU and Switzerland

On the sidelines of the IAIS Annual Conference in Budapest in October, NAIC Members met in insurance regulatory dialogues with supervisors from Switzerland, and with EU supervisors and the European Commission. Each meeting provided a valuable opportunity for a continuing discussion on issues of significance to regulators of major global market players.

In the second formal meeting between NAIC and Switzerland's Federal Office of Private Insurance (FOPI), an extensive exchange took place on the recent financial market turmoil, and in particular the story behind the activities related to financial troubles at AIG. The U.S. response to the regulation of financial guaranty insurers was also discussed. For its part, FOPI representatives provided insights into the workings of the Swiss Solvency Test and the use of internal models for solvency purposes. FOPI's application of qualitative risk management analysis is also a key feature of their comprehensive approach to insurer oversight.

The Swiss regulators also reported on group and conglomerate supervision in Switzerland, and plans for supervisory colleges to be conducted this winter with global insurance regulators related to the supervision of Swiss Re and Zurich. Finally, the discussion turned to the implementation of the 2007 Federal Act on the Swiss Financial Market Supervisory Authority, which will place financial market supervision in a single authority based on sector specific laws.

U.S. regulators provided updates on major initiatives in regulatory modernization in the U.S., including the substantial progress in the growth of the Interstate Compact, producer licensing, and reinsurance modernization, and related to discussions on the Federal "Office of Insurance Information" legislation

The regulatory dialogue with EU supervisors and the European Commission likewise focused attention on the financial crisis and the impact on insurers doing business in the respective jurisdictions. To enhance the information exchanges between the U.S. and Europe on the insurance sector, the NAIC agreed with staff of the Committee of European Insurance and Occupational Pension Supervisors (CEIOPS) to utilize a template for regular reporting on market developments. The supervision of insurance groups was also discussed, and all agreed to pursue more aggressively the process of matching supervisors of transatlantic groups toward encouraging the use of MOUs as a foundation for the exchange of critical regulatory information. Toward this end, the NAIC and CEIOPS agreed to create a contact group between major U.S. and European supervisors on the supervision of cross-border groups.

The EU gave an update on the proposed Solvency II framework directive, and the debate within Europe on the merits of a "group support" element to the oversight of cross-border groups. CEIOPS also reported on the results of the most recent quantitative impact study (QIS4). The proposal is currently in the European legislative process, requiring adoption by both the Parliament and the Council of Ministers – and where there is a lack of unanimous agreement; any compromise requires consent of the European Commission, which has the sole power to initiate legislation.

The NAIC members commented on progress on the Solvency Modernization Initiative (SMI), and secured the commitment of the Commission and CEIOPS to work collaboratively on the comparison of U.S. regulation with the Solvency II framework. The NAIC also discussed the Reinsurance Modernization Proposal which is being presented to the NAIC Plenary for adoption in December. European participants expressed regret that the proposal treats non-U.S. reinsurers differently from U.S. companies in the determination of collateral, although the NAIC was able to point to language that calls

for the determinations to be revisited two years from enactment, to take into account the level of equivalence between U.S. and European systems.

On December 2, NAIC staff participated via video conference in the U.S.-EU Financial Markets Regulatory Dialogue (FMRD) between Washington, DC and Brussels. Participants included representatives of the U.S. Treasury, Federal Reserve, SEC, CFTC, and the NAIC, and the European Commission. After extensive discussion of the impact of the current financial crisis on the financial sector, the group addressed several initiatives related to reducing or eliminating regulatory differences that impede the conduct of transatlantic business in financial services. The NAIC engaged specifically in discussions of the status of the EU “Solvency II” initiative, which that morning was approved by a split vote in the Council; and on the NAIC’s reinsurance modernization initiative.

WINTER 2008 INTERNATIONAL INTERN PROGRAM CONCLUDES

Seeking New State Hosts

The NAIC’s Fall International Intern Program began the last week of October in Kansas City, Missouri. Thirteen interns participate in the fall International Intern Program, which will include regulators from Albania, Armenia, China, Egypt, Korea and Saudi Arabia.

Ms. Deni Tahiraj	Albanian Financial Supervisory Authority	North Carolina
Mr. Artak Arzumanyan	Central Bank of Armenia	California
Mr. Vaghinak Yeghiazaryan	Central Bank of Armenia	North Carolina
Mr. Mostafa Sadek Yassin	Egyptian Insurance Supervisory Authority (EISA)	Massachusetts
Mr. Adel S. Abalkhail	Saudi Arabian Monetary Agency (SAMA)	New York
Mr. Hussam A. Alkannas	Saudi Arabian Monetary Agency (SAMA)	New York
Ms. Dai Jin	China Insurance Regulatory Commission (CIRC)	Maryland
Mr. Xu Yanfeng	China Insurance Regulatory Commission (CIRC)	Kentucky
Mr. Xuequn Jin	China Insurance Regulatory Commission (CIRC)	Kentucky
Mr. Dong Yang	China Insurance Regulatory Commission (CIRC)	Maryland
Mr. Zhang Xuefeng	China Insurance Regulatory Commission (CIRC)	California
Mr. Seong-Beom Kim	Korea’s Financial Supervisory Service (FSS)	Hawaii (extended program)
Mr. Jongsoo Park	Korea’s Financial Supervisory Service (FSS)	California (extended program)

The NAIC program welcomed a new country to participate in the program, Armenia. To advance working relationships with foreign market regulators by emphasizing the exchange of regulatory techniques and technology, the NAIC developed the program in 2004.

With the completion of this fall's program, a total of 71 interns from 16 countries will have fully completed the training. To date, 21 U.S. jurisdictions have hosted non-US regulators including: Alabama, Arkansas, California, Colorado, District of Columbia, Georgia, Hawaii, Illinois, Kentucky, Maryland, Massachusetts, Montana, Nebraska, New Mexico, New York, North Carolina, Oklahoma, Pennsylvania, Ohio, Texas, and Washington.

The seven-week program - which is conducted twice a year - included a week in Kansas City for orientation and five weeks in a host state for more specialized training. Host states for the fall 2008 program include California, Hawaii, New York, North Carolina, Maryland, Kentucky, and Massachusetts. Maryland is a first time host and the NAIC is happy to have them participate in the fall program. The program concludes with attendance at the NAIC Winter National Meeting in Grapevine, Texas, followed by an industry-regulator dialogue and a closing ceremony in Washington, D.C., December 10-12.

NAIC MEMBERS: Please contact George Brady (gbrady@naic.org) if you are interested in participating in a future program.

TRADE UPDATE

NAIC Testifies at International Trade Commission Hearing

The International Trade Commission (ITC) held a hearing on September 23 to explore the issues surrounding competitiveness of U.S. property/casualty companies in non-U.S. markets. The hearing was scheduled to establish a record of barriers U.S. companies have experienced when trying to enter foreign markets. The hearing explored specific examples of domestic laws and regulatory practices in place in international markets that inhibit companies from conducting business in an open, transparent, stable and competitive market.

The hearing, which is part of a series of consultations initiated by the Office of the U.S. Trade Representative, included participation by the American Insurance Association (AIA) and the Property and Casualty Insurance Association of America (PCIAA.) For AIA, David Snyder presented testimony focusing on the experience of AIA companies in international markets. Robert Gordon presented the perspectives of PCIAA companies.

On behalf of the NAIC, George Brady, International Counsel, described the NAIC's commitment to enhancing opportunities for U.S. insurers abroad. Through extensive involvement in the IAIS, the NAIC plays a leadership role in establishing international regulatory standards – to raise the level of supervision in emerging markets and to pursue best practices leading toward convergence of regulatory practices worldwide.

Furthermore, the NAIC contributes to the reduction in international barriers to trade through its regulatory cooperation activities, where NAIC members establish meaningful relationships with regulators in other jurisdictions, and share the benefits of regulatory practices and experiences gained over the life of insurance supervision in the U.S. In direct support of the trade objectives of U.S. companies, state insurance regulators also participate in regular discussions with the Office of the U.S. Trade Representative (USTR) to address issues that arise in the negotiation of bi- and multi-lateral trade agreements.

In response to requests from the U.S. private sector, the International Insurance Relations (G) Committee will explore ways in which to cooperate in the identification of state laws that are perceived as barriers to entry in the U.S., but with regard to which public policy may have changed since their original enactment, or which state legislatures may consider repealing in the interest of improving the international business opportunities of U.S. insurers.

IAIS Committees and Subcommittees: UPDATE

Established in 1994, the IAIS represents insurance regulators and supervisors of some 180 jurisdictions in more than 130 countries, constituting 97% of the world's insurance premiums. With the growth and importance of insurance and standard setting, the IAIS now has more than 100 observers from the private sector, academia, and international organizations.

The IAIS Annual Conference and IAIS Committee meetings were held October 12-18, 2008 in Budapest, Hungary. NAIC participants included Commissioners Gross (VA), Sevigny (NH), Cline (WV), Goldman (NJ), Morrison (MT), Oxendine (GA), and Holland (OK); Ray Spudeck (FL), Joe Fritsch and NAIC staff. The next IAIS Committee meetings will be held in Basel, Switzerland, March 3-6, 2008.

2008 IAIS Annual Conference:

Distinguished Fellows of the IAIS:

In recognition of their important contributions to the IAIS, Dirk Witteveen (in memoriam), Tom Karp (APRA), Alessandro Iuppa (former NAIC President) and Florence Lustman (ACAM) were appointed as Distinguished Fellows.

The following ten supervisory papers were adopted at the Annual General Meeting:

- Standard and Guidance papers on the structure of regulatory capital requirements
- Standard and Guidance papers on enterprise risk management for capital adequacy and solvency purposes
- Standard and Guidance papers on the use of internal models for regulatory capital purposes
- Principles on group-wide supervision
- Guidance on the role and responsibilities of a group-wide supervisor
- Guidance paper on mutual recognition of reinsurance supervision
- Guidance paper on the regulation and supervision of captive insurers

The General Meeting agreed to amend the By-laws to increase the number of Executive Committee voting members to a maximum of 21. Accordingly, in addition to the three members of the Executive Committee elected in 2007 for a two-year period, 18 members were elected or re-elected. NAIC representatives on the Executive Committee include; Commissioners Praeger (KS), Gross (VA), Cline (WV), McCarty (FL).]

Executive Committee [Commissioners Praeger (KS), Cline (WV), McCarty (FL)]

- Peter Braumüller (Austria) and Tatsuo Yamasaki (Japan) were elected as Chair and Vice-Chair
- Discussed how to address the financial crisis, at three levels: in the short term, within IAIS Roadmap, and at the policy level. Agreed to consider a potential new focus of IAIS activities on important areas.
- To facilitate these considerations, new IAIS New Focus Task Force [Chair, Praeger] was created to explore options for the extension and focused development of supervisory framework, ie. with respect to the supervision of internationally active insurance groups
- Endorsed the Roadmaps for standard setting and implementation for 2009-2010 and meeting locations for 2009.
- New classification of IAIS papers also adopted, includes three categories of supervisory papers (Insurance Core Principles (ICP), standards linked to essential or advanced criteria of relevant ICPs, and guidance papers) and two categories of supporting papers (issues papers and application papers).
- Agreed to postpone the revision of ICPs to 2011 and noted that Roadmap was subject to review to take account of this change
- Given the need to introduce links between standards and criteria of ICPs, improving the coordination of activities related to Joint Forum were approved

Budget Committee

- Proposed adoption of 2009 budget and ensured fees consistent with the 2008-2012 financial outlook
- Received updates on current 2008 financials, the 2008 and 2009 Annual Conferences, and proposed "Access to Insurance Initiative," which would support work of Joint IAIS-CGAP Working Group

Technical Committee [Commissioner Gross (VA), Chair]

- Discussed the financial crisis and identified pressure points and policy issues for further consideration in light of events and reactions in various jurisdictions.
- Observers' hearing was held, focused on the role of supervisory coordination in group supervision, fair value measurement in insurance and the impact of differences in capital solvency regimes on competition
- Reports were given on the draft issues paper on group solvency assessment, as well as on the results of surveys on the implementation of disclosure and fit and proper standards
- Special meeting was held with representatives of AIG and addressed coordination and communication issues

Accounting Subcommittee [Rob Esson (NAIC representative)]

- Met on October 12 to discuss the findings of a survey on the implementation of the IAIS disclosure standards.
- A report on these results is expected to be published by the end of the year.

- Received an interesting presentation on World Bank's Centre for Financial Reporting Reform, and was updated on various accounting-related developments.

Insurance Contracts Subcommittee [Rob Esson (NAIC) – Chair; Ramon Calderon (CA)]

- Met in London on November 6-7 and discussed the meeting documents for IASB's Insurance Working Group and agreed to a format for a note to IASB on contract boundaries with additional application guidance to come on universal life products
- Will review IASB developments, including an update on progress at IASB on Insurance Contracts and Revenue Recognition, and possible implication for IAIS workplans, and developments from the joint subgroup on valuation
- Will endeavour to restart the process of proposed coordination on IASB insurance issues at Joint Forum

Governance and Compliance Subcommittee [Director McRaith (IL)]

- Meeting held in Washington, DC, November 20-21
- Received report from the Subgroup on Microinsurance
- Discussed draft Corporate Governance Survey Report compiled survey responses from regulators by the World Bank and responses from insurers, being handled by the OECD (draft report available before December 25)
- Preliminary results of the survey were reported at December 5 OECD Roundtable and a draft survey report will be circulated for discussion in the Tokyo meeting, January 14-15, 2009

Insurance Groups & Cross-Sectoral Issues Subcommittee [Commissioner McCarty (FL)]

- Continues work on the Issues Paper on the Role a Group Supervisor.
- Initiating work on a guidance paper on supervisory colleges
- Collaborating with Solvency Subcommittee on issues paper on group solvency assessment

Insurance Fraud Subcommittee

- Met in Paris on December 2-3 and discussed compilation of the fraud database survey and received updates from member jurisdictions

Market Conduct Subcommittee

- New Chair, Diane Colton (Guernsey) and Vice Chair, Adel Mounir (Egypt)
- Met on December 2 and discussed mandate and workplan including:
 - Perform a stocktake of market conduct work already done by the IAIS and other organizations in order to build on existing work and avoid duplication
 - Review the Joint Forum paper that addresses insurance market conduct
 - Conduct survey of IAIS Members on market conduct practices
 - Perform the necessary work as part of ICP review process
 - Coordinate activities with the IAIS Insurance Fraud working party

- Open dialogue and coordinate with IAIS subcommittees and external association on areas of mutual interest
- Define terms important for MCS work (e.g., intermediaries, consumer protection, etc.)

Reinsurance and Other Forms of Risk Transfer Subcommittee and Reinsurance Mutual Recognition Subgroup [Commissioner Goldman (NJ), Chair]

- Held an Information Session during Triannual Meetings to give an update on its work program and current issues being discussed.
- Members and Observers commented on the ongoing work concerning the mutual recognition of reinsurance supervision, including the draft Guidance Paper which was adopted at the General Meeting in Budapest.
- Members and Observers encouraged the IAIS to continue its efforts to identify and facilitate steps towards concrete recognition agreements.
- Additional presentations provided information on the whole range of upcoming work by the Subcommittee, including the issues of risk securitization and finite reinsurance.

Reinsurance Transparency Group

- Considered upcoming IAIS Global Reinsurance Market Report, Edition 2008 and reconfirmed it will maintain report's focus on linkages with other sectors and more in-depth economic analysis
- Global Reinsurance Market Report will be published December 2008

Solvency and Actuarial Issues Subcommittee [Joe Fritsch (NY)]

- Met in Bonn on November 11-13 and discussed the solvency standards and guidance that will be included in one book-type document called the International Solvency Requirements (ISRs)
- Discussed group solvency issues paper, which is nearly completed
- Discussed market crisis and the development of the overarching solvency paper at Solvency Subcommittee

Implementation Committee

- Discussed strategic educational framework for developing various types of training materials and the programming of standard implementation activities.
- Roadmap for Standard Implementation Activities 2009-2010 was discussed and approved at the meeting.
- Reports were received from subcommittees on regional coordination, insurance laws database, MMOU (Multilateral Memorandum of Understanding), implementation activities approval, and information gathering & analysis as well as various activities of partner organizations.
- Survey sent out to members on needs of training for junior regulators

Implementation Activities Approval Subcommittee

- Met on 13 October in Budapest and discussed the strategic educational framework for developing various types of training materials and programs for standard implementation activities
- Approved funding support for regional seminars to be held in 2009

Task Force on Information Gathering and Analysis

- Revised draft proposal for the contents of the Information Gathering & Analysis paper
- Members agreed to consult with the Regional Coordinators on the revised draft

Regional Coordination Subcommittee

- Reviewed and funding requests received from regional coordinators for regional seminars for 2009

IAIS-CGAP Joint Working Group on Microinsurance [Commissioner Oxendine (GA)]

- Met in Basel on 15-16 September 2008 and in Cartagena, November 3-4
- Discussed work plan; including development of training material, translation of IAIS papers and support training delivery, proposes to support microinsurance standard setting and standard implementation by carrying out research, and conducting seminars and workshops on microinsurance issues, and developing training material
- Meeting in Colombia held back to back with Annual Microinsurance Conference 2008 of the CGAP Working Group on Microinsurance (November 5-7)
- Group will draft an Issues Paper on Regulation and Supervision of Mutuals, Cooperatives and Community Based organizations in microinsurance
- Further work on standards and guidance would be discussed at next meeting

Insurance Core Principle (ICP) Review Task Force [Commissioner Geeslin (TX)]

- Drafting working group meeting took place in Rome, November 20-21
- Technical Committee decided that there should be linkages between standards and ICPs and where there is a corresponding standard, it will be the responsibility of the relevant working party.

Insurance Laws, Regulations, Practices & Standards Subcommittee

- Discussion included that Chapters were inserted in the Insurance Laws Database in July 2007: Risk Assessment and Risk Management (chapter 21) and Supervision of Insurance Groups and Financial Conglomerates (chapter 22)
- Received report that 57 IAIS Members (44% of 131) contributed to chapters in 2007 and 2008
- Valerie Staehli has stepped down as chair

Pension Coordination Group

- Met on October 14 in Budapest.
- Members of the Group provided updates on the pension sector in their jurisdictions, highlighting the impact of the financial crisis on pension funds. The Group also discussed the 2009-2010 work plan based on the work schedule of IOPS and OECD Working Party on Private Pensions
- Discussed new workplan for 2009-2010 based on IOPS and OECD WPPP work program for the corresponding period

NAIC International Calendar

(**Bold** denotes active NAIC participation)

2008

Date	Meeting	Venue	Organizer
September 1-2	IAIS Insurance Laws, Regulations, Practices & Standards Subcommittee	Vienna, Austria	IAIS
September 2-5	IAIS Reinsurance Subcommittee	Tokyo, Japan	IAIS/FSA Japan
September 8	European Commission: Roundtable on Financial Conglomerates Directive	Brussels, Belgium	EU Commission
September 9-10	IAIS Insurance Fraud Subcommittee	Guernsey, UK	IAIS
September 9-11	IAIS Solvency and Actuarial Issues Subcommittee	Guernsey, UK	IAIS
September 14-18	IAIS Managing Risk in Captive Insurance Companies	Cayman Islands	IAIS, OGIS, Cayman Monetary Authority
September 15-16	IAIS Insurance Groups & Cross-sectoral Issues Subcommittee	Paris, France	IAIS
September 15-18	IAIS/OGIS Training Seminar	Cayman Islands	IAIS/OGIS
September 15-20	IASB	London, UK	IAIS
September 16-18	Conference on Integrating Microinsurance into the Financial System	Basel, Switzerland	IAIS/CGAP/FSI
September 18-19	IAIS Task Force for Review of the Insurance Core Principles	Basel, Switzerland	IAIS
September 22-24	NAIC Fall National Meeting	Washington, DC	NAIC
September 29	FSF Meeting	Amsterdam, Netherlands	FSF
September 30-October 2	FSI Seminar on Evolving Risk-based Solvency Frameworks and Valuation Methods for the Insurance Industry	Basel, Switzerland	FSI
October 12	IAIS Accounting Subcommittee	Budapest, Hungary	IAIS
October 12	NAIC-Swiss Insurance Regulatory Dialogue	Budapest, Hungary	NAIC/FOPI
October 12-18	IAIS Triannual Meeting/Annual Conference	Budapest, Hungary	HFSA/IAIS
October 14	IAIS Pension Coordination Group	Budapest, Hungary	HFSA/IAIS
October 15	NAIC-EU Insurance Regulatory Dialogue	Budapest, Hungary	NAIC/CEIOPS/EC
October 16-17	US-China Joint Economic Council	Beijing, China	US Treasury
October 18	IAIS Executive Retreat	Budapest, Hungary	IAIS
October 23-25	CEIOPS Members' Meeting	Frankfurt, Germany	CEIOPS
October 27-30	NAIC Financial Summit	Tampa, Florida, USA	NAIC
October 29-31	IAIS Regional Seminar on the New Solvency Requirements	Bucharest, Romania	Romanian Insurance Supervisory Commission/ IAIS
November 1-4	IAA	Cyprus	IAA
November 5-7	Joint Forum	Sydney	ASIC and APRA
November 3-6	IAIS Regional Seminar on Effective Insurance Supervision	Accra, Ghana	National Insurance Commission, Ghana

November 3-8	IAIS-CGAP Joint Working Group on Microinsurance	Cartagena, Columbia	IAIS
November 6-7	Joint Forum	Sydney, Australia	ASIC & APRA
November 6-7	IAIS Insurance Contracts Subcommittee	London, UK	IAIS
November 10-14	NAIC Delegation Visit to Thailand and China	Bangkok, Beijing	NAIC
November 11-13	IAIS Solvency and Actuarial Issues Subcommittee	Bonn, Germany	IAIS
November 11-14	IAIS-ASSAL Training Seminar	San Salvador, El Salvador	Financial System Superintendence, El Salvador, IAIS, ASSAL, FIDES
November 13-14	Insurance Groups and Cross-sectoral Issues Subcommittee	Bonn, Germany	IAIS
November 17-19	IAIS 7th MENA Regional Seminar on Licensing, Ownership and Business Transfers, and Group-wide Supervision	Amman, Jordan	Insurance Commission, Jordan, IAIS FSI, AFIRC
November 17-19	IAIS Regional Seminar on Enterprise Risk Management (ERM) under IAIS Core Principles	Taipei, Chinese Taipei	FSI, IAIS, Financial Supervisory Commission, Taipei
November 17-21	IASB	London, UK	IASB
November 19-20	CEIOPS Members' Meeting	Frankfurt, Germany	CEIOPS
November 20	NAFTA/SPP Committee on Financial Services	Ottawa, Canada	OSFI (Canada)
November 20-21	IAIS Governance & Compliance Subcommittee (Open to IAIS Members and Observers)	Washington, DC	IAIS
November 20-21	IAIS Task Force for Review of the ICPs Meeting	Rome, Italy	IAIS
November 20-23	NCOIL 2008 Annual Meeting	Hawk's Cay Resort, Duck Key, Florida	NCOIL
December 2-3	Insurance Fraud Subcommittee	Paris, France	IAIS
December 4-5	OECD Insurance Committee	Paris, France	OECD
December 5-8	NAIC Winter National Meeting	Grapevine, TX	NAIC
December 8	US-Japan Insurance Dialogue	Tokyo, Japan	USTR
December 10-11	IAIS Accounting Subcommittee	Berlin, Germany	IAIS
December 10-19	IASB & IASB Insurance Working Group	London, UK	IASB

2009

January (2 nd week)	IAIS Task Force for Review of the Insurance Core Principles	Singapore	IAIS
January 14-15	IAIS Governance and Compliance Subcommittee	Tokyo, Japan	IAIS
January 26-27	IAIS Executive Committee Retreat	Brussels, Belgium	IAIS - CBFA
February 2-6	IAIS Solvency & Actuarial Issues and Insurance Groups & Cross Sectoral Issues	Tokyo, Japan	IAIS
February 24-25	Joint Forum	Paris, France	IAIS
March 3-6	IAIS Triannual Meetings	Basel, Switzerland	IAIS
March	IAIS Insurance Groups and Cross-Sectoral Issues Subcommittee	San Diego, CA	IAIS
March 15-18	NAIC Spring National Meeting	San Diego, CA	NAIC
April 6-7	Geneva Association "Progres" International	Montreaux	Geneva

	Seminar		Association
April 22-23	IAIS Governance & Compliance Subcommittee	Montreal, Canada	IAIS
April 26	IAIS Solvency Subcommittee – Regional Information Session	Santiago, Chile	IAIS
April 27-30	IAIS Solvency Subcommittee	Santiago, Chile	IAIS
May 4-5	NAIC International Issues Conference	Washington, DC	NAIC
June 13-16	NAIC Summer National Meeting	Minneapolis, MN	NAIC
June 22-23	IAIS Global Seminar	Chinese Taipei	IAIS, Insurance Control Commission
June 23-24	Joint Forum	Berlin, Germany	BaFin
June 24-26	IAIS Triannual Meetings	Chinese Taipei	IAIS
July	IAIS Solvency Subcommittee	Edinburgh, Scotland	IAIS
July 13-14	IAIS Governance & Compliance Subcommittee	Amsterdam, Netherlands	IAIS
September	IAIS Insurance Groups and Cross-Sectoral Issues Subcommittee	Madrid, Spain	IAIS
September	IAIS Solvency Subcommittee	Madrid, Spain	IAIS
September 9-10	IAIS Governance & Compliance Subcommittee	Manamah, Bahrain	IAIS
September 21-24	NAIC Fall National Meeting	Washington, DC	NAIC
October 18-24	IAIS Triannual Meetings/Annual Conference	Rio de Janeiro, Brazil	SUSEP/IAIS
November 17-18	Joint Forum	TBD	IAIS
November or December	IAIS Task Force on the Review of the Insurance Core Principles	Rome, Italy	IAIS
December	IAIS Solvency Subcommittee	Honolulu, Hawaii	IAIS
December	IAIS Insurance Groups and Cross-Sectoral Issues Subcommittee	Basel, Switzerland	IAIS
December	IAIS Governance and Compliance Subcommittee	Paris, France	IAIS
December 5-8	NAIC Winter National Meeting	Honolulu, HI	NAIC
2010			
January [tbd]	IAIS Executive Retreat	Europe	IAIS
February 9-12	IAIS Triannual Meetings	Basel, Switzerland	IAIS
March 27-30	NAIC Spring National Meeting	Denver, CO	NAIC
June 21-22	IAIS Global Seminar	Chinese Taipei	IAIS, Financial Supervisory Commission
June 23-25	IAIS Triannual Meetings	Chinese Taipei	IAIS
August 14-17	NAIC Summer National Meeting	Seattle, WA	NAIC
October 24-29	IAIS Triannual Meetings/Annual Conference	Dubai, UAE	IAIS
TBD	NAIC Fall National Meeting	Washington, DC	NAIC

List of Abbreviations

AFIRC Arab Forum of Insurance Regulatory Commissions
AITRI ASEAN Insurance Training & Research Institute
ASSAL Association of Latin American Insurance Supervisors
BIS Bank for International Settlements
CEIOPS Committee of European Insurance and Occupational Pensions Supervisors
CIRC China Insurance Regulatory Commission
EU European Union
FSF Financial Stability Forum
FSI Financial Stability Institute
FSWG Financial Sector Working Group
GATS General Agreement on Trade in Services
IAIS International Association of Insurance Supervisors
IASB International Accounting Standards Board
IAA International Actuarial Association
IIF Institute for International Finance
IFC International Finance Corporation
IOPS International Organization of Pension Supervisors
IOSCO International Organization of Securities Commissions

MENA "Middle East and North Africa"
NAFTA North American Free Trade Agreement
NCOIL National Conference of Insurance Legislators
OCC Office of the Comptroller of the Currency
OECD Organization for Economic Cooperation and Development
OGIS Offshore Group of Insurance Supervisors
WTO World Trade Organization

National Supervisory Authorities:

Belgium Commission Bancaire, Financiere et des Assurances (CBFA)
India India Insurance Regulatory and Development Authority (IRDA)
Italy (ISVAP)
Korea Financial Supervisory Service (FSS)
Japan Financial Services Agency (FSA)
UK Financial Supervisory Authority (FSA)
France French Supervisory Authority (ACAM)
Brazil Supervisory Authority of Brazil (SUSEP)
Australia Australian Prudential Regulatory Authority (APRA)
Hungary Hungarian Financial Supervisory Authority (HFSA)

Lauren Scott, NAIC International Policy Analyst and principal author of the International Report, has announced her departure from the NAIC. I would like to take this opportunity to recognize the extensive contributions Lauren has made during her tenure at the NAIC - in her role as staff support for the International Regulatory Cooperation (G) Working Group, as project manager for the International Internship Program, and as a warm, friendly, and reliable colleague. She will be missed and I wish her nothing but success in her future endeavors.

- George Brady

The "International Report" is produced by the International Relations Staff of the NAIC (for the use of NAIC members). If you would like further information regarding any of the issues addressed in these articles, please contact the NAIC's Office of Government and International Relations in Washington, DC at:

National Association of Insurance Commissioners (NAIC)
Office of Government and International Relations
Suite 701 - Hall of States
444 N. Capitol Street, N.W.
Washington, DC 20001

CONTACTS:

George Brady (gbrady@naic.org) – 1-202-471-3988
Counsel and International Relations Manager
and
Lauren Scott (lscott@naic.org) – 1-202-471-3981
International Policy Analyst

For copies of this and past editions of the International Report, and other information on the International Insurance Relations (G) Committee, visit: http://www.naic.org/international_insurance