Commissioner Kevin McCarty (FL) represented the NAIC and the International Association of Insurance Supervisors (IAIS) at the high level Eurofi think tank conference on February 18, 2011. The conference was called upon to contemplate the impact of ongoing global regulatory initiatives on the eve of the first ministerial meeting of France’s 2011 presidency of the G20. During the conference views were exchanged between the industry and authorities of some of the major G20 countries on the challenges and the priorities of the French G20 Presidency in the financial arena. Four main topics were covered:

- Consistent implementation of banking requirements and the challenges posed by the regulation of the shadow banking system
- Improvements in market regulation: potential impacts of technological innovation on financial stability, regulation of commodity derivatives markets, pending issues in the regulation of OTC derivatives
- Optimizing capital flows to favour the financing of sustainable growth and long term assets in the global context
- Reducing macro-economic imbalances (Banque de France will launch its 15th Financial Stability Review on that occasion)

Commissioner McCarty’s focus was related to the topic of “Designing an adequate framework for systemically important financial institutions (SIFIs).” He underscored that the insurance industry as a whole is less systemically important than the banking industry; but that there are activities that insurers engage in that make them more vulnerable to systemic risks generated in other parts of the financial system and/or make their disorderly failure more likely to cause significant disruption to the wider financial system and economic activity.

He also discussed the IAIS response to the G20 & FSB recommendations and the IAIS’s continued contribution to the work of the Financial Stability Board (FSB). Commissioner McCarty’s fellow panelists included luminaries such as the Managing Director of the International Monetary Fund, the US Federal Reserve Chairman, the Chairman of the Financial Stability Board, the Governor Bank of Japan, and the Chairman of the Basel Committee for Banking Supervision (BCBS).
FINANCIAL STABILITY UPDATE

The FSB coordinates at the international level the work of international standard setting bodies and national financial authorities to address vulnerabilities affecting the global financial system and to develop and promote the implementation of effective supervisory and regulatory policies promoting financial stability. Since the recent financial crisis, the FSB has advanced a major program of financial regulatory reforms based on clear principles and timetables for implementation to address the shortcomings in the financial system exposed by the crisis while striving to create globally-consistent rules and a level playing field across countries and sectors.

State insurance commissioners are directly involved in the interagency process supporting US input into FSB activities including through weekly conference calls (the U.S. is directly represented at the FSB by the Federal Reserve, Treasury and the SEC). Further, the NAIC and state regulators are also active members of the IAIS Financial Stability Committee which provides direct input to the FSB, in particular on the appropriate methodology for identifying systemically important insurers. Continued state insurance regulator input to the FSB is key to providing a US insurance sector perspective at this forum. In fact, there is a strong argument that state insurance commissioners who have clearly defined statutory responsibilities for the oversight of the U.S. insurance sector, should have even more direct input to the FSB such as through membership at relevant FSB working parties in order to be in a better position to provide this perspective. While banks and insurers share some common characteristics and risks, the roles of banks and insurers in the economy differ substantially. These differences need to be considered and the insurance sector response appropriately evaluated before FSB recommendations related to systemically important financial institutions are made universally applicable to non-bank SIFIs.

NAIC AND STATE INSURANCE REGULATORS ENGAGE IN TRANSATLANTIC DIALOGUE WITH EIOPA AND THE EUROPEAN COMMISSION

On March 2 and 3 more than 30 insurance regulator representatives from the NAIC, the European Insurance and Occupational Pensions Authority (EIOPA) and the European Commission (Commission) met in Washington D.C. as part of the ongoing US-EU insurance regulatory dialogue designed to better understand our respective systems and the challenges we collectively face with regard to international insurance regulation. The NAIC hosted the regulator-only session, and topics discussed included solvency modernization, group supervision (including the exchange and maintenance of confidential information and the use of supervisory colleges) and the EU equivalence process. Regulators also discussed systemic risk and financial stability including representation of the insurance sector at the FSB through the domestic angle as well as through the IAIS Financial Stability Committee in addition to the regulators respective roles at the Financial Stability Oversight Council (FSOC) and the European Systemic Risk Board (ESRB).

The regulators were joined on March 3 by US policy-makers and industry representatives at the Transatlantic Insurance Symposium hosted by the US Chamber of Commerce. The purpose of the symposium was to exchange information regarding the US and EU insurance regulatory frameworks. Topics of the symposium included the EU's Solvency II reforms, the US Solvency Modernization Initiative, and implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Presenting on behalf of the NAIC at the Transatlantic Insurance Symposium were Commissioner Kevin McCarty (FL); Director Michael McRaith (IL); Director Christina Urias (AZ); Superintendent James Wrynn (NY); and Dr. Therese Vaughan, NAIC Chief Executive Officer.

NAIC PARTICIPATES IN US-CHINA INSURANCE REGULATORY DIALOGUE

Director John Huff (MO), Commissioner Gordon Ito (HI), Deputy Commissioner Belinda Miller (FL) and Ekrem Sarper (NAIC) traveled to Beijing, China to participate in the US-China Insurance Dialogue on December 7, 2010. The meeting was led by the US government and provided an opportunity for the US insurance industry, the NAIC and the US government to highlight and have pointed discussions on issues of common concern with the China Insurance Regulatory Commission (CIRC).

Director Huff delivered opening remarks at the start of the event and also an overview of policy developments in the US over the past year. Commissioner Ito gave a presentation on Health Reform in the United States, which focused on the role of the States in implementing the Federal Patient Protection and Affordable Care Act. Deputy Commissioner Miller focused on Disaster Insurance in the US and the role of mitigation. The NAIC delegation also had a private meeting with the Vice Chairman of the CIRC, Li Kemu, to discuss bilateral issues. The CIRC emphasized that they were eager to learn best practices from the NAIC. Both sides agreed to continue to share ideas and agreed that the NAIC will host a seminar this summer for CIRC on the investment of insurers’ assets.
REGULATOR TO REGULATOR DIALOGUE
HELD WITH SWITZERLAND

On the sidelines of the IAIS Triannual Meetings in February, the NAIC delegation which included Commissioners Cline and McCarty, along with NAIC staff, held a regulator to regulator dialogue with the Swiss Financial Market Authority (FINMA). This meeting was a follow up to the last dialogue which was held in Dubai last October, and allowed the NAIC to continue to share information related to NAIC’s Solvency Modernization Initiative and for the Swiss to share the latest developments on the Swiss Solvency Test.

In addition, the group discussed group supervision and a vision of insurance regulatory trends worldwide. Both sides agreed on the importance of continuing these regular dialogues and agreed to hold another one at the next opportunity.

NAIC PARTICIPATES IN MEETINGS AT THE
ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

Superintendent Wrynn (NY) and Ekrem Sarper (NAIC) participated in the Insurance and Private Pensions Committee (IPPC) of the Organization for Economic Cooperation and Development (OECD) on December 2 and 3 in Paris, France. Participants from the 30 Member countries and private sector representatives engaged in discussions on a number of issues, including a preliminary report on policyholder protection schemes, proposed guidelines for insurer corporate governance, a presentation from the IASB on insurance contract accounting, and a presentation on the IAIS ComFrame initiative.

The IPPC also held two special roundtables as part of this meeting related to the “Contribution of insurance to Economic Growth” and also “Insurance Markets in South East Asia”. The next OECD IPPC meeting is scheduled for June 9 & 10 in Mexico City, Mexico where the OECD will celebrate its 50th Anniversary.

NAFTA FINANCIAL SERVICES COMMITTEE UPDATE

On January 26, Ekrem Sarper (NAIC) participated in the 16th NAFTA Financial Services Committee meeting held in Mexico City by the Mexican Finance Ministry (Secretaría de Hacienda y Credito Publico). Participants at this meeting shared experiences relating to recent performance of the financial sector, and regulatory and legislative developments in each NAFTA member country over the past year, including an update on the Dodd-Frank Act by the US delegation. It was agreed that Canada would host the next meeting in 2012.

NAIC HOLDS JOINT SEMINAR ON INSURANCE FRAUD WITH
FINANCIAL SUPERVISORY SERVICE

At the request of the Financial Supervisory Service (FSS) of South Korea, a delegation from the NAIC traveled to Seoul in early December for presentations on state regulators’ systems for handling insurance fraud. The delegation included Director John Huff (MO), Commissioner Gordon Ito (HI), Cindy Schmell, Insurance Fraud Bureau Chief (IA), Ekrem Sarper (NAIC) and Keri Kish (NAIC).

Ms. Schmell and Ms. Kish provided antifraud presentations on topics including fraud schemes in the United States, state regulators’ techniques and responses to suspected fraud, descriptions of resources and technology used by state regulators and applicable state and federal fraud laws. Director Huff and Commissioner Ito presented information on their respective departments experiences with fraud and market conduct related issues. The FSS provided information to the delegation on the technology they use to combat insurance fraud. The audience included FSS regulators and representatives from every foreign and domestic insurer doing business in South Korea. The NAIC delegation also had a private meeting with FSS senior leadership who requested ongoing discussions on this topic. The NAIC and FSS are in discussions over whether to establish a bilateral Insurance Working Group.

ARMENIAN REGULATORS SEEK TRAINING FROM
US ON IDENTIFYING INSURANCE FRAUD

In February, eight insurance regulators with the Central Bank of Armenia traveled to the NAIC’s Executive Headquarters in Washington, DC to meet with state regulators and NAIC staff for training on detection and identification of insurance fraud. The Armenian government sought the expertise of the US for fraud detection training. The Armenians recently implemented third-party automobile liability and anticipate a great deal of fraudulent activities in the early stages of this new system. Carolyn Henneman, Associate Commissioner, Insurance Fraud Division (MD), Stephen Perry, Associate Commissioner, Enforcement (DC) and Keri Kish (NAIC) made presentations and discussed the US system with the Armenian regulators.
The NAIC invited additional presentations from the FBI, Baltimore County Police Department, Financial Crimes Enforcement Network (FinCEN) and Coalition Against Insurance Fraud.

**BOSNIAN FINANCIAL REGULATORS SEEK TECHNICAL ASSISTANCE**

A delegation of Bosnian financial regulators visited the NAIC’s Executive Office in early February to learn more about the regulation of insurance in the US. The senior-level officials from Bosnia were sponsored by the Partnership for Advancing Reform in the Economy (PARE) in Bosnia-Herzegovina.

The visiting officials included representatives from banking supervision agencies, the Deposit Insurance Agency, the Central Bank of Bosnia-Herzegovina, and the Ministry of Finance and Treasury. The study tour exposed the Bosnian financial regulators to the policies and governance that are essential to the implementation of international standards in financial sector regulation and supervision. The NAIC provided an overview of insurance supervision in the US and the role of the NAIC while Associate Commissioner for Insurance Philip Barlow (DC) discussed the DC Department of Insurance, Securities and Banking’s structure, principal functions, and key current local issues.

**NAIC FELLOWS PROGRAM CONTINUES TO DEEPEN INTERNATIONAL RELATIONSHIPS**

On April 11th, the NAIC will welcomed 12 fellows to the International Fellows Program, including from India (5); Kenya (1); Korea (1); Saudi Arabia (2); Taiwan (1) and Thailand (2). Host jurisdictions for the spring 2011 program include Iowa, Louisiana, Massachusetts, Michigan, Missouri, New York, Oklahoma, Puerto Rico, and West Virginia. The NAIC developed the program in 2004 to advance working relationships with foreign market regulators, emphasizing the exchange of regulatory techniques and technology.

The program will conclude in New York, NY with a seminar hosted by the Securities Valuation Office on investment analysis followed by a debriefing program, a seminar on industry-regulator relations by the US insurance industry and a ceremonial graduation dinner to highlight the fellows’ accomplishments. The NAIC Fellows Program is conducted twice a year—spring and fall.

With the completion of this 2011 spring program, a total of 143 fellows from 24 countries will have participated in the training program. To date, 30 US jurisdictions have hosted these non-U.S. regulators, including: Alabama, Arkansas, California, Colorado, District of Columbia, Georgia, Hawaii, Illinois, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Missouri, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Texas, Vermont, Virginia, Washington, and West Virginia. We look forward to additional jurisdictions joining this growing list.

**Timeline for Spring 2011 International Fellows Program**

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<tr>
<th>Event</th>
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<tr>
<td>NAIC Central Office, Kansas City, Missouri</td>
<td>Training Dates: April 11–15</td>
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<tr>
<td>Host State—State Insurance Department</td>
<td>Week 1–5: April 18 – May 20</td>
</tr>
<tr>
<td>NAIC Securities Valuation Office – New York</td>
<td>Dates: May 23 – 24</td>
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UPDATE: NAIC INPUT INTO IAIS
INSURANCE CORE PRINCIPLES (ICPs) REVIEW TASK FORCE WORK

The IAIS is currently revising the ICPs and corresponding standards and guidance material with the goal of having a complete set of revised and restructuring ICPs ready for adoption at the October 2011 IAIS General Meeting. The ICPs have been allocated to working parties for review in line with their areas of expertise. The substance of the work is taking place at the working party level where the NAIC has state regulators and/or staff actively participating in the ICP review and revision process. The US representatives on these IAIS working parties additionally work through the relevant NAIC groups to receive feedback and guidance on material being discussed at the IAIS level.

Due to the amount of material being revised, it has been released for consultation and approval in batches. Much of the ICP material has already been consulted on for substance. The final wave of formal consultations began following the February IAIS Committee Meetings, which includes:

- The complete set of ICPs for a coordination and consistency review
- Changes and/or additions made in response to the FSB’s Supervisory Intensity and Effectiveness Recommendations
- Material that is being released for consultation on substance – ICP Introduction and Assessment Methodology; the principle statements for ICP 3 Information Exchange, ICP 25 Supervisory Cooperation and coordination and 26 Cross-border cooperation and coordination on crisis management; ICP 8 Risk Management and Internal Controls; ICP 12 Winding-up and exit from the market; ICP 14 Valuation; ICP 22 Anti-money laundering, combating the financing of terrorism (AML/CFT); and ICP 24 Macroprudential supervision and market analysis.

Following the deadline for comments (April 19), the relevant working parties will review the comments received, make changes to resolve such comments, and then submit final drafts for approval by the Technical and Executive Committees at the next IAIS Committee Meeting in June in Macau. This leaves a buffer of time to address any possible outstanding issues that may arise before the final package is submitted to the IAIS General Meeting for adoption in October.

IAIS ANNUAL CONFERENCE AND GENERAL MEETING
DUBAI, OCTOBER 2010

The IAIS had its Triannual Meetings, 17th Annual Conference and General Meeting in Dubai, United Arab Emirates on October, 25-29 2010. The conference provided the opportunity for supervisors and insurance professionals to discuss prevailing market conditions, emerging trends and regulatory developments in this challenging financial environment.

A number of important steps were taken during the Triannual Meetings and General Meeting, including:

- The adoption of a new Strategic Plan and Financial Outlook 2011-2015 setting out high level goals, strategies and action plans for the Association’s key areas of work. The goal of the Strategic Plan is to ensure the Association has the necessary workplan and resources in place to address the challenges facing insurance supervisors and thereby strengthen overall insurance supervision.
- The approval of a two-year roadmap to ensure the planned activities over the next two years adequately address the high level goals, strategies and actions plans set out in the Strategic Plan. The roadmap includes assessment of the Financial Stability Board recommendations for financial reform. Specifically, the IAIS will undertake further research to develop a more extensive analysis of systemic risk in the insurance sector and develop a provisional methodology of quantitative and qualitative indicators to assess the systemic importance of insurers at a global level. Additionally, the IAIS will provide broad guidance on how to identify global and domestic systemically important financial institutions (SIFIs). Complementing the financial and insurance market stability related activities, the IAIS will continue to enhance its standard setting and standard implementation activities. The standard setting goal is to develop global, sustainable and coherent supervisory principles, standards and guidance. An important standard setting project is the development of a Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame). Standard Implementation initiatives include educational initiatives, the development of self assessment and peer view mechanisms, and the introduction of measures to strengthen supervisory cooperation.
- The adoption of eight supervisory papers, representing the first step in the revision of the insurance core principles (ICPs) and supporting standards and guidance material. The goal is to have a coherent framework of revised ICPs, standards and guidance material ready for adoption in 2011. This supervisory material will be incorporated into the final complete package of revised ICPs, standards and guidance material planned for adoption in October 2011.
- The signing of two additional insurance supervisory authorities to the IAIS Multilateral Memorandum of Understanding (MMoU), which brought the total number of signatories to 13. The MMoU is a framework for cooperation and the exchange of information and sets minimum standards which signatories must meet in order to bolster cross border supervision of insurance companies.
The theme of this year’s Conference was *The Gateway to Trust in the Insurance Industry*. The Annual Conference panel discussions included:

- Financial Stability and Systemic Risk
- Impact of International Accounting Standards on Insurers and Insurance Regulation
- ComFrame: Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs)
- Vision of Future Safety Net and Resolution Framework
- Similarities and Differences between Supervisors Responses to the Financial Crisis
- IAIS Standards Implementation
- The Impact of the Global Financial Crisis on Policyholders and Market Conduct Issues
- Takaful and Regional Issues

The Conference also featured three keynote speeches by Jong Chang Kim, Governor of the Financial Supervisory Service of the Republic of Korea; Lord Adair Turner, Chair of the Financial Services Authority of the United Kingdom; and Ian Johnston, Deputy Chief Executive of the Dubai Financial Services Authority.

**INTERNATIONAL INSURANCE FORUM 2011 – REGISTER NOW!**

Don’t miss the NAIC’s Annual International Insurance Forum in Washington, D.C. on May 26-27, 2011! The Forum will address a variety of critical international issues, including the supervision of internationally active insurance groups (IAIGs) and issues related to financial stability.

Speakers will highlight and evaluate some key enhancements under consideration to supervision and supervisory processes, combined with stronger risk management and enhanced approaches to resolvability to minimize adverse externalities.

Another area of focus will be the IAIS development of macro-prudential monitoring tools to identify any potential build-up of systemic risk in the sector, and IAIS plans to draft measures for jurisdictional authorities to assess degrees of systemic risk. The Forum will further explore continuing efforts by the NAIC to bring the lessons of US successes in financial analysis and cooperation to the development of international platforms, such as the IAIS Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame).

Speakers and panelists will include US chief insurance regulators, international insurance regulators, and representatives from federal financial regulatory agencies and the private sector. All US and international regulators, as well as industry professionals seeking a complete picture of the global insurance industry are invited to attend. An exclusive networking reception the evening of May 26 is also included with your registration fee!

**JOINT FORUM UPDATE**

The Joint Forum expects to issue two reports, one on asset securitization and one on intra-group support measures, in the near future. US insurance input has been provided into the latter report. The former report specifically notes that it does not cover insurance or liability securitizations. In addition, the Joint Forum work stream on updating the 1999 principles for the supervision of financial conglomerates continues. This work stream strongly inter-relates with both ComFrame and the Groups work at both the IAIS and NAIC.

Discussions continue, specifically about scope and application with strongly differing views as to whether the Joint Forum should promulgate principles that would require significant legal restructuring of the regulatory systems in many countries. The final report on these matters is not expected until next year, but it is anticipated that the high level principles may be approved by the Plenary of the Joint Forum this summer. The Joint Forum is also considering future work streams that may include consideration of ageing populations on insurance and banking products, and the possible repercussions on insurers and other investors from Basel III particularly related to holdings of convertible bank capital instruments.
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.

**Executive Committee** [Commissioners Cline (WV), McCarty (FL); and George Brady (NAIC)]
- Met to discuss strategic planning in January, including a session with NAIC Officers.
- Approved work of the Internal Review Task Force, including plans for regular meetings with Observers to discuss progress on the Strategic Plan; and focus on coordination of committee work, external interaction and performance measurement.
- Approved the consultation plan on the revisions to the Insurance Core Principles.
- Agreed to establish a Supervisory Forum and considered a draft mandate.
- Rearranged the ComFrame Task Force effective July 1, 2011, to maintain ExCo as the responsible body; formalized the role of Technical Committee for drafting of the ComFrame; and agreed that a small group of ExCo members would serve on a ComFrame Oversight Group to monitor adherence to the schedule and objectives of the ComFrame project agreed by ExCo in July 2010.
- Received a report from the Secretary General on staff build-up and replacements pursuant to the Strategic Plan, including hiring of a Senior Economist, an additional Deputy Secretary General, and two new Principal Administrators.
- Approved comments to the Financial Stability Board on the work related to SIFIs. Also approved the referral of additional work to the relevant IAIS working parties of specific “financial stability” issues, including enhanced regulatory cooperation and focus on the quality of capital.

**Budget Committee** [Ryan Workman (NAIC)]
- The last meeting took place on October 26th in Dubai. The Committee received a report on the forecasted financial results for 2010 as well as reviewed and recommended the 2011 budget for approval. The 2011 budget reflected increases in the Member and Observer fees as set out in the new Strategic Plan.
- At the Committee Meetings in February, a report was provided to the Executive Committee on the draft financial statement results, which showed a better result than budgeted, and on the percentage of annual Member and Observer fees that have already been paid for 2011. The Budget Committee will be finalizing a revised investment policy expected to prioritize security over return.

**Technical Committee** [Commissioner McCarty (FL)]
- The last meetings took place on October 24-25, 2010 in Dubai and February 16-17, 2011 in Basel; both meetings included an Observers’ Hearing.
- At the Dubai meeting in October:
  - Technical Committee members discussed the results of the latest key risks and trends and pressure points exercise. Discussions focused on (1) the impact of a protracted low interest rate environment on insurance companies and the steps to be taken by supervisors; (2) the impact of depressed equity markets, volatility of credit spreads on bond instruments and recent developments concerning sovereign risk on insurance companies and what are the steps to be taken by supervisors and; (3) the impact of a prolonged recession on demand, claims and underwriting performance of insurers.
  - Technical Committee agreed to propose to Executive Committee to endorse the following supervisory material for adoption at the General Meeting: ICP 4 Licensing; ICP 5 Suitability of Persons; ICP 13 Reinsurance and Other Forms of Risk Transfer; ICP 15 Investment; ICP 16 Enterprise Risk Management; ICP 17 Capital Adequacy; and under ICP 23 Group-wide supervision: standards on Group-wide Regulatory Requirements and guidance material on Group-wide Supervision Framework.
  - An overview of Joint Forum activities, strategies and measures intended to improve the effectiveness and relevance of the Joint Forum was provided and discussed.
- At the Basel meeting in February:
  - Technical Committee prepared for the final round of consultation on ICP material. Because some ICP material was already consulted on for substance in 2010, Technical Committee agreed to recommend to Executive Committee to release the full set of ICPs for consultation limited to overall consistency and duplication issues.
o Technical Committee agreed to recommend to the Executive Committee to approve the release of the following material for consultation for substance: ICP Introduction and Assessment Methodology; ICP 8 Risk management and internal controls; ICP 12 Winding-up and exit from the market; ICP 14 Valuation; ICP 22 Anti-money laundering, combating the financing of terrorism and Application paper on combating money laundering and terrorism financing in insurance; ICP 24 Macroprudential supervision and market analysis (considerable enhancements have been made to ICP 24 since its first consultation) and the new core principle statements for ICPs 3, 25 and 26 (all were formerly part of ICP 3).

o An Issues paper on Resolution of cross-border insurance legal entities and groups was recommended to release for consultation. This paper was developed to explore the more complex topic of resolution of cross-border insurance legal entities and groups.

o Finally, members of Technical Committee discussed the findings from the key risks and trends survey conducted in February. Members provided their views on what risks and trends are developing in their jurisdictions and concerns were expressed about imbalances on a global level and diverging growth perspectives.

Financial Stability Committee [Superintendent Wrynn (NY)]

- The FSC has held several meetings since October both in person and via conference call to provide appropriate feedback to the FSB on issues relating among other things to systemic risk in the insurance sector and to ensure that the insurance sector is appropriately represented at the FSB.
- The FSC is also discussing the appropriate IAIS response to various FSB recommendations
- One major initiative underway at the FSC in response to FSB recommendations is the development of a methodology to assess systemic importance of insurers
- The FSC also created a new working group the Macroprudential policy and surveillance working group (MPSWG) which is mandated to develop a macroprudential policy framework for consideration by the FSC, including the development of a global macroprudential surveillance framework and assessment of tools to identify, assess, monitor and mitigate the adverse consequences of systemic risk to be used by supervisors, adapted, as required, for their jurisdictions.
- The next two meetings are scheduled for April 4-6 in Basel, Switzerland and for May 4-6 in Kansas City, MO.

Accounting Subcommittee and Insurance Contracts Subcommittee [Rob Esson (NAIC)]

- The subcommittee recently met and continued to monitor the progress towards an IFRS for insurance.
- At present, the IASB intends to issue its standard for June 30, 2011.
- Many issues remain in a state of flux as the finish line approaches: in particular, many jurisdictions including NAIC members remain concerned about excess volatility being shown in the financial statements.
- A working group of the Insurance Contracts Subcommittee has been formed to examine these issues further. The Insurance Contracts Subcommittee will cease to exist at June 30, 2011, and its activities will be subsumed into the Accounting and Auditing Issues Subcommittee from July 1, 2011.

Common Framework for the Supervision of Internationally Active Insurance Groups Task Force (ComFrame) [Ramon Calderon and Rob Esson (NAIC)]

- This project continues with an aim to release for public comment a communication document in June detailing work in those areas that were identified as priority A - due June 2011, together with discussion of the workplan for the priority B and C areas due June 2012 and 2013 respectively.
- The priority A items consist of identification of what are referred to as "Internationally Active Insurance Groups" and jurisdictional matters.

Governance and Compliance Subcommittee [Director McRaith (IL)]

- The last meeting was held in Cape Town on January 13-14 where the discussion focused on reviewing comment received during the consultation period on the draft ICP on Corporate Governance and on finalizing the draft ICP on Risk Management and Internal Controls.
- The draft on Corporate Governance was approved by Technical and Executive Committees and the ICP on Risk Management and Internal Controls was released for consultation at the Basel Committee meetings.
- The next meeting is scheduled for May 11-12 in Kansas City where comments received on Risk Management and Internal Controls will be resolved and then forwarded in June to the Technical Committee for approval. The subcommittee will also be discussing its work related to ComFrame.
Insurance Groups & Cross-Sectoral Issues Subcommittee [Danny Saenz (TX)]

- [TBD]

Insurance Fraud Working Group [Ryan Workman (NAIC)]
- The last meeting was held in Cape Town on January 9-10 where the group reviewed and resolved comments received on the draft ICP on Insurance Fraud as well as finalized the draft ICP, standards and guidance on AML/CFT. The review and consultation of both ICPs has been accompanied by Application papers on the same topics which capture valuable supporting material from previous IAIS papers.
- The ICP on Insurance Fraud was approved by the Technical and Executive Committees at the February Committee Meetings in Basel.
- As the IAIS material on AML/CFT is tied to the Financial Action Task Force (FATF), the group will continue to ensure that the draft on AML/CFT is in line with FATF recommendations before finalizing and releasing for consultation.
- The next meeting is scheduled for May 12-13 in Kansas City where comments received on AML/CFT will be resolved.

Market Conduct Subcommittee [Ryan Workman (NAIC)]
- The last meeting was held in Cape Town on January 11-12 where the subcommittee reviewed and resolved comments received on the draft ICP, standards and guidance on Insurance Intermediaries and on the Conduct of Business.
- Both ICPs were approved by the Technical and Executive Committees at the February Committee Meetings in Basel.
- The next meeting is scheduled for May 10 in Kansas City where the subcommittee will begin its work related to ComFrame and start a review and analysis of policyholder protection schemes.

Reinsurance and Other Forms of Risk Transfer Subcommittee and Reinsurance Mutual Recognition Subgroup [Bob Kasinow (NJ)]
- The Reinsurance Subcommittee met March 22-23 in Hamilton, Bermuda.
- Additionally, the Reinsurance Transparency Group met February 18 in Basel, Switzerland, and received presentations from industry representatives with respect to systemic risk and the reinsurance perspective. Information arising from the discussions at the meeting will be used regarding considerations on systemic risks. It is foreseen that the IAIS GRMR mid-year edition 2011 will be one platform to publish such information.
- The subcommittee has provided input into the IAIS considerations with respect to macroprudential surveillance, which resulted in the decision by the IAIS to form a new Macroprudential Policy and Surveillance Working Group to take up macroprudential surveillance issues.
- The next meeting of this Subcommittee is scheduled for May 4-5 in Kansas City.

Solvency and Actuarial Issues Subcommittee [Ramon Calderon (NAIC), Co-Vice Chair; Joe Fritsch (NY)]
- The Solvency Subcommittee (SCC) last met in Bonn, Germany from February 28, 2011 through March 2, 2011, hosted by BaFin of Germany.
- The SCC spent the majority of the three day meeting discussing ComFrame, Module 3, qualitative and quantitative elements. The SCC received input on the scope of the ComFrame module, and the approach that can be used in completing the ComFrame matrix (standards, parameters, and specifications). It is well understood that establishing parameters, and certainly specifications, is a deliberative process and requires diligence on the part of the subgroups assigned to the various workstreams (investments, ERM, capital adequacy, and internal models). The SCC received specific input from the IAIS Secretariat that an objective of ComFrame was to "operationalize" the ICPs and to tailor them to IAIGs. Significant discussion was held as to the practical meaning of this advice. The subgroups agreed to meet before the next SSC meeting in Kansas City and will provide a more refined version of Module 3 prior to the Kansas City IAIS meeting in May 2011.
- Presentations were made on "Risk Management at an IAIG: One CRO's View" by Allianz (Thomas C. Wilson, Chief Risk Officer) and "Risk Management at Munich Re" by Alex Von Borries, Head of Group Risk Strategy. These presentations were followed by a question and answer session.
- Dr. Rodolfo Wehrhahn from the International Monetary Fund gave a presentation on "Global Insurers Stress Test". The presentation was followed by a question and answer session.
- Brief discussions were held on tentative SSC input to Basel III reforms (possible implications for insurance solvency standards), and reduced reliance on credit ratings by supervisors and by insurers (closed session).
- The next meeting is scheduled in May 2011, Kansas City, Missouri, hosted by the NAIC.
Implementation Committee [Jane Cline (WV), Ekrem Sarper (NAIC)]

- The Implementation Committee met February 17 in Basel, Switzerland.
- Members learned more about the three new subcommittees of the Implementation Committee and the goals behind the establishment of these new subcommittees.
- Each of the subcommittee Chairs reported on the work and the objectives behind for their groups.
- Regional coordinators also provided updates on upcoming regional training seminars which the IAIS is supporting or had supported.
- The committee also discussed having the subcommittees meet outside of the Triannuals and that it might be necessary for them to meet at other times in light of the increased workload for these new subcommittees.
- The next meeting will be held during the next Triannual meeting in Macau.

Standards Observance Subcommittee [Ekrem Sarper (NAIC)]

- The inaugural meeting of this subcommittee was held February 16 in Basel, Switzerland.
- Members discussed the draft mandate of the subcommittee and agreed to modify it to reflect the subcommittees role in contributing to the enhanced observance of IAIS Insurance Core Principles and standards.
- Members received an update on the work of the Ad Hoc Group’s work on peer review relating to supervisory cooperation and information exchange.
- Members also discussed the request from the Financial Stability Board (FSB) for further peer reviews on additional areas.
- The subcommittee also received a presentation from the FSB on their request for additional self assessment themes and their goal to identify the regulatory gaps through this exercise.
- The next meeting will be held during the next Triannual meeting in Macau.

Supervisory Cooperation Subcommittee [Ekrem Sarper (NAIC)]

- The inaugural meeting of this subcommittee was held February 17 in Basel, Switzerland.
- Members discussed the draft mandate of the subcommittee. The Chair recommended that the mandate of this subcommittee be to facilitate and coordinate better implementation of cooperation and exchange of information between supervisors within the MMoU; within supervisory colleges; at the bilateral level; and in relation to crisis management.
- The subcommittee discussed the MMoU and the need for more validators with increasing demand from IAIS members to join the MMoU.
- It was also decided that the subcommittee would update the FAQ and guidance for the MMoU applications.
- The subcommittee was also tasked with coming up with a matrix to collect statistics on the use of the MMoU.
- The next meeting will be held the first week of May in Basel, Switzerland to discuss the revised FAQ and guidance document together with the MMoU statistical framework.

Education Subcommittee [Ekrem Sarper (NAIC)]

- The inaugural meeting of this subcommittee was held February 16 in Basel, Switzerland.
- Members discussed the draft mandate of the subcommittee and the education strategy of the IAIS.
- The subcommittee discussed the future direction of the subcommittee and concluded that the secretariat should conduct a survey to determine the education needs of IAIS members.
- The next meeting will be held during the next Triannual meeting in Macau.

IAIS-MIN Joint Working Group on Microinsurance [Commissioner Ross (MI)]

- The last meeting was held on November 9-11 in Manila, Philippines.
- At the Manila meeting, members received an update on the Access to Insurance Initiative and provided an update on recent regulatory and policy initiatives in Microinsurance from different jurisdictions.
- At the Manila meeting, the group also discussed the groups upcoming work plan including the development of a diagnostic tool kit relating to microinsurance and the development of standards and guidance on the application of the new ICPs to microinsurance in order to promote financial inclusion per the objectives of the G20's Access Through Innovation Subgroup (AITSG) of the Financial Inclusion Experts Group draft Principles and Report on Innovative Financial Inclusion.
- The group formed a Microinsurance Drafting Group which met February 16-18th to discuss the first draft of the Guidance Paper on the Regulation and Supervision supporting Inclusive Insurance Markets.
- The next Microinsurance Drafting Group meeting will be held on April 11-12th and the IAIS Min Joint Working Group meeting will be held on April 13-14th to continue among other things the drafting and discussion of the Guidance Paper on the Regulation and Supervision supporting Inclusive Insurance Markets.
<table>
<thead>
<tr>
<th>Date</th>
<th>Meeting</th>
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<tr>
<td>Feb 28-Mar 1</td>
<td>US-China Joint Economic Committee (JEC) Deputies Meeting</td>
<td>Beijing, China</td>
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<tr>
<td>Feb 28-Mar 2</td>
<td>IAIS Solvency and Actuarial Issues Subcommittee</td>
<td>Bonn, Germany</td>
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<tr>
<td>March 1-2</td>
<td>Joint Forum</td>
<td>Rome, Italy</td>
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<td>March 2</td>
<td>US-EU Insurance Regulatory Dialogue</td>
<td>Washington, DC</td>
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<td>March 3</td>
<td>US-EU Transatlantic Insurance Symposium: U.S. Chamber of Commerce</td>
<td>Washington, DC</td>
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<tr>
<td>March 3</td>
<td>US-EU Technical Dialogue</td>
<td>Washington, DC</td>
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<tr>
<td>March 16-18</td>
<td>IAIS Standards Observance Subcommittee</td>
<td>London, UK</td>
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<tr>
<td>March 22-23</td>
<td>Joint Forum: Principles of Financial Conglomerates</td>
<td>Sydney, Australia</td>
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<tr>
<td>March 22-23</td>
<td>IAIS Reinsurance Subcommittee/Reinsurance Transparency Subgroup</td>
<td>Hamilton, Bermuda</td>
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<tr>
<td>March 26-29</td>
<td>NAIC Spring National Meeting</td>
<td>Austin, TX</td>
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<td>Mar 31-Apr 1</td>
<td>EIOPA Board of Supervisors</td>
<td>Frankfurt, Germany</td>
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<tr>
<td>April 4-5</td>
<td>IAIS Financial Stability Committee</td>
<td>Basel, Switzerland</td>
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<td>April 5</td>
<td>IAIS Internal Review Task Force</td>
<td>Basel, Switzerland</td>
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<tr>
<td>April 6</td>
<td>IAIS ComFrame Task Force</td>
<td>Basel, Switzerland</td>
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<tr>
<td>April 4-6</td>
<td>IAIS Insurance Groups and Cross-Sectoral Issues Subcommittee</td>
<td>Basel, Switzerland</td>
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<tr>
<td>April 7-8</td>
<td>Geneva Association PROGRES Seminar: Insurance Regulation and Supervision</td>
<td>Geneva, Switzerland</td>
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<tr>
<td>April 11-14</td>
<td>IAIS Microinsurance Drafting Group/Working Group</td>
<td>Washington, DC</td>
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<tr>
<td>April 11-15</td>
<td>NAIC Fellows Program</td>
<td>Kansas City, MO</td>
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<td>April 15</td>
<td>G-20 Finance Ministers and Governors (G-20 Deputies - April 14)</td>
<td>Washington, DC</td>
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<tr>
<td>April 24-29</td>
<td>ASSAL Annual Meeting</td>
<td>San Juan, Puerto Rico</td>
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<tr>
<td>May 4-5</td>
<td>IAIS: Joint meeting of MMoU Signatories Working Group and Supervisory Cooperation Subcommittee</td>
<td>Basel, Switzerland</td>
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<tr>
<td>May 23-24 (tbc)</td>
<td>G-8 Leaders’ Summit</td>
<td>Deauville, France</td>
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<td>May 26-27</td>
<td>NAIC International Insurance Forum</td>
<td>Washington, DC</td>
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<tr>
<td>June 9-10</td>
<td>OECD Insurance and Private Pensions Committee</td>
<td>Mexico City, Mexico</td>
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<tr>
<td>June 10-11</td>
<td>G-7 Finance Ministers and Governors</td>
<td>France</td>
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<td>June (tbd)</td>
<td>FSB Plenary</td>
<td>(tbd)</td>
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<td>June 14-17</td>
<td>IAIS Committee Meetings (preceded by IAIS Global Seminar)</td>
<td>Macau</td>
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<td>June 16</td>
<td>CEA International Conference</td>
<td>Athens, Greece</td>
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<td>June 28-29 (tbc)</td>
<td>Joint Forum</td>
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<tr>
<td>Date</td>
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<tr>
<td>Jun 30-July 1</td>
<td>EIOPA Board of Supervisors</td>
<td>Prague, Czech Republic</td>
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<td>July 5-7</td>
<td>IAIS Insurance Groups Subcommittee</td>
<td>Basel, Switzerland (tent.)</td>
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<td>July 5-9</td>
<td>ASSAL: U.S. Insurance Regulation And Supervision – Practical Training</td>
<td>Santiago, Chile</td>
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<td>July 27-28</td>
<td>IAIS Reinsurance and other forms of Risk Transfer Subcommittee/Mutual Recognition Subgroup/ Reinsurance Transparency Subgroup</td>
<td>Toronto, Canada</td>
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<td>Aug 29</td>
<td>Access to Insurance Board Meeting</td>
<td>Basel, Switzerland/ Eschborn, Germany</td>
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<td>Aug 29-Sep 1</td>
<td>NAIC Summer National Meeting</td>
<td>Philadelphia, PA</td>
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<td>Sep 26-Oct 1</td>
<td>IAIS Committee Meetings &amp; Annual Conference</td>
<td>Seoul, Korea</td>
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<td>Oct 14-15 (tbc)</td>
<td>G-20 Finance Ministers and Governors (and Deputies meet Oct 13-14)</td>
<td>Paris, France</td>
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<td>Oct 20-21</td>
<td>EIOPA Board of Supervisors</td>
<td>Prague, Czech Republic</td>
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<td>November (2 days, tbd)</td>
<td>IAIS Microinsurance Working Group</td>
<td>Rio de Janeiro, Brazil</td>
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<td>Nov 3-4</td>
<td>G-20 Leaders Forum</td>
<td>Cannes, France</td>
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<td>Nov 3-6</td>
<td>NAIC Fall National Meeting</td>
<td>Washington, DC</td>
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<td>Nov 8-9</td>
<td>Joint Forum</td>
<td>Berlin, Germany</td>
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<td>Nov 10-13</td>
<td>APEC Finance Ministers &amp; Economic Leaders</td>
<td>Honolulu, Hawaii</td>
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<td>Nov 14-18</td>
<td>IAIS Insurance Fraud, Market Conduct, &amp; Governance and Compliance Subcommittees</td>
<td>Singapore</td>
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<td>Nov 15-18</td>
<td>IAIS Working Party Meetings (Accounting and Auditing, Reinsurance, &amp; Solvency and Actuarial Issues Subcommittees)</td>
<td>Basel, Switzerland</td>
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<td>Dec 1-2</td>
<td>OECD Insurance and Private Pensions Committee</td>
<td>Paris, France</td>
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<tr>
<td>Dec 6-8</td>
<td>IAIS Insurance Groups Subcommittee</td>
<td>Sydney, Australia</td>
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</tbody>
</table>

**List of Abbreviations**

ABIR - Association of Bermuda Insurers and Reinsurers  
AFIRC - Arab Forum of Insurance Regulatory Commissions  
AITRI - ASEAN Insurance Training & Research Institute  
APEC - Asian-Pacific Economic Cooperation  
ASEAN - Association of Southeast Asian Nations  
ASSAL - Association of Latin American Insurance Supervisors  
BIS - Bank for International Settlements  
CEA - Comité Européen des Assurances (European insurance and reinsurance federation)  
CEIOPS - Committee of European Insurance and Occupational Pensions Supervisors  
CGAP - Consultative Group to Assist the Poor  
EIOPA - European Insurance and Occupational Pensions Authority  
EU - European Union  
FSB - Financial Stability Board
National Supervisory Authorities:

**Australia**  
Australian Prudential Regulatory Authority (APRA)

**Belgium**  
Commission Bancaire, Financière et des Assurances (CBFA)

**Brazil**  
Superintendência de Seguros Privados (SUSEP)

**Canada**  
Office of the Superintendent of Financial Institutions (OSFI)

**China**  
China Insurance Regulatory Commission (CIRC)

**France**  
l'Autorité de Contrôle Prudentiel (ACP)

**Hungary**  
Hungarian Financial Supervisory Authority (HFSA)

**India**  
India Insurance Regulatory and Development Authority (IRDA)

**Italy**  
Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo (ISVAP)

**Japan**  
Financial Services Agency (FSA)

**Korea**  
Financial Supervisory Service (FSS)

**Switzerland**  
Swiss Financial Market Supervisory Authority (FINMA)

**UK**  
Financial Supervisory Authority (FSA)
George Brady, NAIC Counsel and Manager of International Relations, has announced his departure from the NAIC. He will be joining the International Association of Insurance Supervisors as Deputy Secretary General in Basel, Switzerland. The rest of the international team would like to take this opportunity to recognize the extensive contributions George has made during his thirteen year tenure at the NAIC—guiding the International Relations Department over the years and significantly raising the profile and importance of international relations and global insurance issues within the NAIC, among state insurance regulators and throughout federal agencies in Washington. He will be missed and we wish him great success in the next chapter of his career.

Ekrem Sarper, Gita Timmerman, and Ryan Workman