

# INTERNATIONAL REPORT

**NAIC**  
National Association of  
Insurance Commissioners

& The CENTER  
for INSURANCE  
POLICY  
and RESEARCH

Issue No. 43: March 2012

*Mark Your Calendar:*  
*NAIC International Insurance Forum*  
*May 10-11, 2012 - Washington, DC*  
*IAIS Annual Conference*  
*October 10-12, 2012 - Washington, DC*

## **CONNECTICUT BECOMES FIRST U.S. SIGNATORY AUTHORITY OF THE IAIS MMOU**

Connecticut has become a Signatory Authority of the IAIS Multilateral Memorandum of Understanding (MMoU), an international supervisory cooperation and information exchange mechanism, becoming the first U.S. regulator to gain membership. The MMoU framework can help insurance supervisors around the world by facilitating the exchange of information in the supervisory college context, in crisis situations, to enhance supervision of internationally active insurance companies and other situations.

As the need to facilitate communication among supervisors is increasing, there are many applications to the MMoU pending with a significant increase of Signatory Authorities expected in the next year, which will add to the existing twenty-two signatories. Several U.S. states are also in the process of applying and/or have expressed interest in applying.

## **U.S. – EU INSURANCE REGULATORY DIALOGUE**

For many years, the NAIC and state regulators have taken part in ongoing U.S.-EU insurance regulatory dialogues. To further enhance the mutual understanding and cooperation between the EU and U.S. regulatory systems, a steering committee with three representatives from both sides has been established. This

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Steering Committee will guide the priorities of various technical work streams that will explore areas for mutual analysis and discussion as well as identify areas of alignment and perceived gaps between the two regulatory systems and report their findings back to the Steering Committee. Leadership at both the Steering Committee and technical work streams is joint and collaborative and provides the NAIC and state regulators a constructive opportunity to work with FIO and our EU counterparts in a collaborative way. The Steering Committee, which met in January and most recently in Basel on Wednesday February 22, is developing a workplan that should lead to increased mutual understanding of both solvency systems by the end of the year and cooperation in insurance for the benefit of consumer protection, business opportunity, and effective supervision stronger mutual understanding.

### **U.S. – EU FINANCIAL MARKETS REGULATORY DIALOGUE**

The NAIC participated in a meeting of the ongoing U.S. – EU Financial Markets Regulatory Dialogue (FMRD) between the European Commission and U.S. financial regulators on January 25, 2012. The agenda included a range of matters in the areas of securities, banking and insurance. Director Michael T. McRaith of the Federal Insurance Office (FIO) provided a report on the operational status of the FIO, its role in monitoring the insurance sector, advising US federal government officials, consulting with state insurance regulators and coordinating on international insurance matters. He advised the European officials that FIO will soon be providing for Congress a report with recommendations on ways to modernize the U.S. state-based insurance regulatory system. The Europeans pledged to work constructively with their U.S. counterparts on a range of issues, including a few long-standing tax-related issues that were deferred for further discussions at another time.

### **U.S. & CHINESE REGULATORS MEET IN WASHINGTON, DC: NAIC REAFFIRMS COMMITMENT TO WORK CLOSELY WITH CIRC**

The U.S. China Joint Economic Committee (JEC) meeting convened in Washington D.C. on February 28, 2012. Commissioner William White (DC) and Thomas Glassic (DC) represented the NAIC at this meeting. The meeting was led by the U.S. Treasury Department and other participants from the U.S. included the Federal Reserve Board, SEC, CFTC, FDIC, Council of Economic Advisors, National Economic Council, OMB, USTR, and the NAIC.

Both sides took the opportunity to share updates on regulatory developments in their respective countries. Commissioner White provided an update on the NAIC Solvency Modernization Initiative and noted the importance of the NAIC's relationship with the Chinese Insurance Regulatory Commission (CIRC) and agreed to continue the close cooperation which began many years ago. The NAIC reaffirmed its commitment to working with CIRC as they work to open up the Mandatory Third-Party Liability Insurance for motor vehicles to foreign invested insurance companies. The NAIC committed to continuing to provide technical assistance where requested and share best practices of the prudential regulators of insurance in the U.S.

## **OECD INVITES NAIC TO PRESENT ON ITS WORLD CLASS DATA GATHERING TOOLS**

The OECD and the Office of Insurance Commission (OIC) Thailand invited the NAIC to present its experiences with respect to monitoring of the insurance industry through the use of data. Commissioner Consedine (PA) and Ekrem Sarper participated in this seminar on January 26 & 27, 2012 in Bangkok, Thailand. Approximately 100 delegates from 13 countries, mainly from the Asian region, consisting of supervisory authorities, practitioners, statistical experts and insurance analysts participated.

Prominent representatives of supervisory authorities and central banks spoke, as well as experts and researchers in the field of insurance monitoring and statistics. Key policymakers from various Thai authorities, representatives from the private sector, members of the OECD, renowned research institutions and international organizations also participated. This seminar was the second in a series which seeks to raise awareness on insurance sector monitoring; insurance statistics; identify gaps and inconsistencies in insurance statistics; and improve transparency to help markets become more competitive and efficient, particularly in Asia.

Commissioner Consedine presented on some specific efforts undertaken recently by the NAIC including – our data collection of the investment schedules as a backdrop, and specifically a discussion related to the monitoring of the sovereign debt crisis in Europe with a more specific review of Greece (including a stress testing of the Risk Based Capital (RBC) impacts if Greece were to default/be downgraded).

Other participants also discussed the following topics:

- How to enhance transparency and monitoring of the insurance industry in the post-crisis context as a means to assist policymakers and supervisors (especially in Asian and South East Asian countries) in assessing the financial strength and performance of insurers;
- Country experiences in insurance market monitoring, research and statistics gathering (including indicators used), existing data gaps, and where further efforts might be required;
- Results of an OECD stocktaking and comparative assessment of insurance statistics in selected Asian countries; and
- The way forward to improve the monitoring of insurance market developments from an international perspective, including through improved data quality and comparability.

On the sidelines of this meeting a high level regulatory dialogue was held with the new Secretary General of the OIC, Mr. Pravej Ongartsittigul discussing ongoing cooperation with the OIC in the form of sponsoring a regional seminar on solvency in Bangkok later this year.

## **INTERNATIONAL TRADE UPDATE: TRANS-PACIFIC PARTNERSHIP NEGOTIATIONS**

The U.S. Trade Representative Office (USTR) is currently negotiating the Trans-Pacific Partnership (TPP) Agreement, an economic alliance that would link the United States with Brunei, Malaysia, New Zealand, Vietnam and four countries that are already free trade partners — Australia, Chile, Peru and Singapore. The TPP Agreement will feature new cross-cutting

issues not previously included in trade agreements, such as making the regulatory systems of TPP countries more compatible so U.S. companies can operate more seamlessly in TPP markets and helping small- and medium-sized enterprises, participate more actively in international trade. The NAIC is working closely with the USTR in the creation and maintenance of open, competitive, transparent, well-regulated markets around the world.

On November 12, 2011, the Leaders of the nine Trans-Pacific Partnership countries – Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, and the United States – announced the achievement of the broad outlines of the TPP agreement. President Obama along with the other eight TPP leaders agreed to seek to finalize an agreement in the coming year. Canada, Mexico and Japan have recently indicated to the TPP countries that they are also interested in joining these negotiations and the TPP countries will consider their acceptance into the pact in due course.

### **NAIC-FSS INSURANCE FRAUD SEMINAR**

In early December, the NAIC hosted the second joint Insurance Fraud Seminar with the Financial Supervisory Services (FSS) of South Korea. Last year, the FSS hosted the seminar in Seoul which was attended by Commissioner Ito (HI), Director Huff (MO) and NAIC staff who presented the US insurance regulators' perspective and discussed the South Korean and US programs, resources and responsibilities related to insurance fraud.



This year's program was split into several perspectives: the US insurance regulator, regulated US insurance entities, the South Korean insurance regulator and South Korean regulated entities. Commissioner Ito and staff of the Hawaii Insurance Division provided overviews of their internal programs and provided case examples. NAIC Vice-President and North Dakota Insurance Commissioner Hamm also attended; he presented information on the NAIC as well as specific information from North Dakota's insurance fraud

programs. Cindy Schmell, Iowa's Insurance Fraud Bureau Chief, also led the regulatory discussions on the US perspective. She presented information on investigative strategies, regulatory technology and fraud-detection tools as well as information sharing and fraud prevention programs.

Perspectives were also provided by representatives of the US insurance industry: Robert Passmore of Property and Casualty Insurers Association of America provided a presentation on

the US Legislative and Regulatory Activities Relating to Antifraud Efforts in Insurance; Lisa Tate of American Council of Life Insurers spoke on Anti-Money Laundering Responsibilities and US Life Insurance Industry; and John Sargent of MetLife Special Investigation Units provided a perspective of the Special Investigation Units in US Insurance Regulation.

Our South Korean counterparts provided presentations on the FSS's highly advanced technological capabilities for tracking and fighting insurance fraud, investigative case studies and trends and examples of insurance fraud in South Korea. South Korean industry perspectives were provided by the General Insurance Association of Korea, Korea Life Insurance Association and Samsung Fire and Marine.

The seminar concluded with a discussion about our similarities and differences in approaches to addressing insurance fraud. Successful international dialogs such as this show the importance of learning and sharing with our counterparts across the world and will continue on key insurance issues, such as insurance fraud.

### **U.S.-SWISS DIALOGUE**

At the recent IAIS Committee Meetings in Basel, the NAIC continued its annual tradition of having a dialogue meeting with regulators from the Swiss Financial Market Supervisory Authority (FINMA). These meetings are an opportunity for regulators from both jurisdictions to meet and provide updates to their respective systems as well as pose questions and discuss the implementation of such changes and other supervisory issues. A presentation on the Solvency Modernization Initiative was provided by Director Urias (AZ) and members of FINMA provided updates on the Swiss Solvency Test, group supervision practices, approaches on risk orientation in supervision and the Swiss Qualitative Assessment. Commissioner Voss (IA) and members from NAIC staff were in attendance as well as Michael McRaith, Director of the Federal Insurance Office.

### **NAFTA FINANCIAL SERVICES COMMITTEE MEETING**

The 17th Annual NAFTA Financial Services Committee Meeting took place on November 30, 2011 in Ottawa at the Canadian Department of Finance. The FSC Meeting is an opportunity for representatives from the financial sector regulators of the United States, Canada and Mexico to come together and discuss issues of mutual interest and provide updates on their respective regulatory and legislative developments. Attendees also discussed issues relating to the growing number of international commitments and activities, financial inclusion, consumer protection and key vulnerabilities in the financial sector.

The delegation from the United States included representatives from the Commerce Department, CFTC, Federal Reserve, OCC, SEC, USTR, Treasury and the NAIC. Ryan Workman, on behalf of the NAIC, presented on the recent performance of insurers in the United States as well as responded to questions on developments under the Solvency Modernization Initiative.

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

Commissioner Voss (IA) and Ekrem Sarper (NAIC) participated in the Insurance and Private Pensions Committee (IPPC) of the Organization for Economic Cooperation and Development (OECD) on December 1 and 2, 2011 in Paris, France. Participants from the 30 Member countries and private sector representatives engaged in discussions on a number of issues, including a report on policyholder protection schemes, discussions on mortality and life expectancy assumptions catastrophe risks, and a presentation on the program of work for 2013 - 2014. The next OECD IPPC meeting is scheduled for June 7 & 8, 2012 in Paris, France.

**NAIC FELLOWS PROGRAM:  
DEMAND EXCEEDS SUPPLY - MORE HOST STATES NEEDED URGENTLY**

On April 9, 2012 the NAIC plans to welcome 11 fellows to the International Fellows Program. We have had an overwhelming amount of interest from international regulators in this program over the past few years and we hope that we can generate additional interest in hosting all these fellows. Host jurisdictions for the spring 2012 program so far are the District of Columbia, Louisiana, Missouri and New Jersey.

The NAIC developed the program in 2004 to advance working relationships with foreign market regulators, emphasizing the exchange of regulatory techniques and technology. The success of the program is reflected by the fact that over 150 regulators have participated since its inception.

<b>Timeline for Spring 2012 International Fellows Program</b>	<b>Timeline for Fall 2012 International Fellows Program</b>
<b>NAIC Central Office, Kansas City, Missouri</b> Training Dates: April 9 – 13	<b>NAIC Central Office, Kansas City, Missouri</b> Training Dates: October 15 – 19
<b>Host State—State Insurance Department</b> Week 1–5: April 16 – May 18	<b>Host State—State Insurance Department</b> Week 1–5: October 22 – November 16
<b>NAIC Capital Markets &amp; Investment Analysis Office – New York</b> Dates: May 21 – 22	<b>NAIC Capital Markets &amp; Investment Analysis Office – New York</b> Dates: November 19 – 20

**NAIC CEO APPOINTED ON BEHALF OF IAIS  
TO CHAIR JOINT FORUM**

The Joint Forum was established in 1996 by the Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors (IAIS) to deal with issues common to the banking, securities and insurance sectors, including the regulation of financial conglomerates. The chairmanship of the Joint Forum has changed during the usual rotation among the three standard setting bodies to the IAIS who chose Dr. Therese Vaughan (NAIC) to take this role. The appointment was effective January 1, 2012 and is for a two-year term.

Since the last report the Joint Forum has issued its report on Intragroup support measures. The Joint Forum Plenary met in Miami on February 28-29 to discuss its work streams on point of sale disclosure and mortgage insurance. It is also approved the final mandate for the work stream on longevity risk, although some preparatory work has already started on this issue. There was a public Roundtable regarding the mortgage insurance on February 29, with participants from both the supervisory sector and mortgage insurers, together with an academic.

The Joint Forum's draft principles for the supervision of financial conglomerates is currently exposed for public comment through March 16, 2012. After the comment period closes, the working group will be discussing and incorporating comments into its draft with a view to finalizing the principles during 2012.

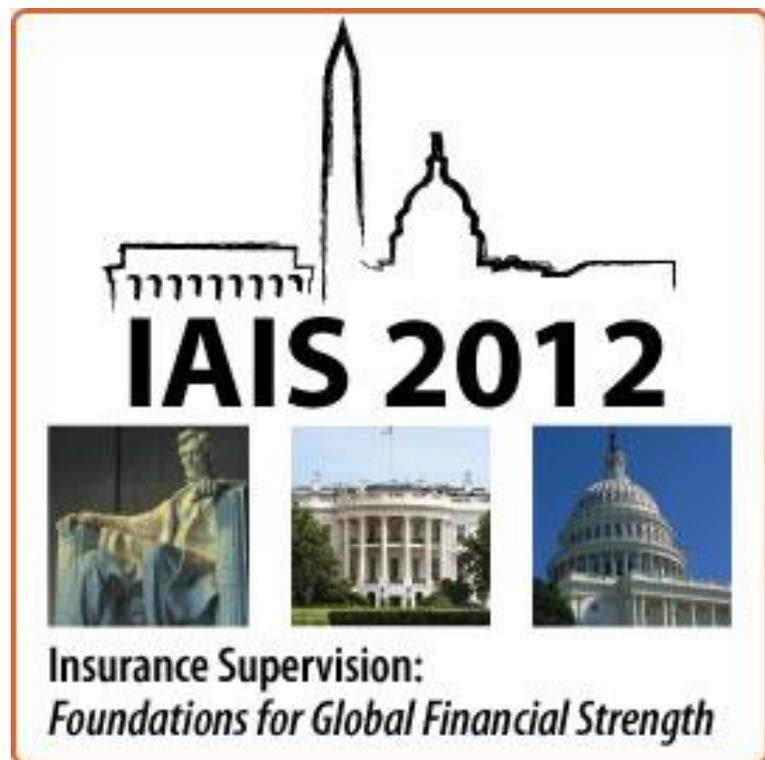
### **NAIC TO HOST IAIS 2012 ANNUAL CONFERENCE**

The NAIC is proud to be hosting the 19<sup>th</sup> Annual Conference of the International Association of Insurance Supervisors in our nation's capital, Washington, DC on October 10-12, 2012.

The theme for the 2012 Annual Conference is "*Insurance Supervision: Foundations for Global Financial Strength*" to reflect both the challenges faced by insurance supervisors worldwide and the role of insurance in the global financial sector.

The Annual Conference provides an excellent opportunity for insurance supervisors, industry members and other participants to discuss and exchange ideas on important issues related to the supervision of insurance, developments in insurance markets and industry as well as in the financial sector as a whole.

We look forward to welcoming you to Washington, DC in October, 2012! Additional information on the 2012 Annual Conference is available at [www.iais2012.org](http://www.iais2012.org).



# NAIC

National Association of  
Insurance Commissioners

& The CENTER  
for INSURANCE  
POLICY  
and RESEARCH

## Global Regulatory Convergence and Supervisory Cooperation

May 10-11 • Washington, DC

### Bigger and better than ever before!

NAIC's *International Insurance Forum* is continuing to grow into a preeminent annual internationally-focused learning event. With renowned panelists and just-in-time subject matter, *Forum* attendance has become a priority for regulators from the U.S., developed and emerging markets, and insurance industry professionals.

Plan now to attend the 2012 *Forum* in Washington, DC on May 10-11! More than any other event, NAIC's annual *Forum* explores recent and continuing developments—and progress—in international insurance regulation and the global financial services markets. This year's theme is ***Global Regulatory Convergence and Supervisory Cooperation***. Just look at what we have planned!

### Agenda

#### Day 1, Thursday, May 10, 2012

- 8:30 Registration
- 9:30 NAIC President's Welcome
- 9:45 **Addressing Systemically Important Financial Institutions**
- 11:30 Supervisory Cooperation and Coordination
- 1:00 Lunch Served
- 2:00 Keynote Address
- 2:30 Resolution Mechanisms for Internationally Active Insurance Groups (IAIGs)
- 4:15 Industry Perspectives on the Implications of New Enterprise Risk Management Requirements
- 5:30 Reception

#### Day 2, Friday, May 11, 2012

- 9:00 Keynote Address
- 9:30 **Group Supervision**
- 11:15 **ComFrame (Common Framework for the Supervision of Internationally Active Insurance Groups)**
- 12:45 Adjourn

Speakers will highlight and evaluate some of the key enhancements under consideration pertaining to supervision and supervisory processes, combined with enhanced approaches to risk management.

Speakers and panelists will include U.S. chief insurance regulators, international insurance regulators, representatives from federal agencies, as well as representatives from the private sector. We are still making our final selections. Please visit our website as we announce the latest keynote presenters and panelists.

### Bring your questions with you.

As a *Forum* attendee you will have the opportunity to discuss current issues in the insurance marketplace with session panelists and fellow attendees from around the world. NAIC's *Forum* combines great networking and learning opportunities to create an experience you won't want to miss.

2012 International Insurance Forum

# Global Regulatory Convergence and Supervisory Cooperation

May 10-11 • Washington, DC

2012 International Insurance Forum

### Tuition

	Before March 29	Before April 19	After April 19
State/U.S. Government Employees	\$445	\$495	\$545
All Others	\$745	\$795	\$845

### Lodging

The 2012 *International Insurance Forum* will be held at the Washington Marriott at Metro Center in Washington, DC. The hotel has blocked a limited number of rooms for this event. To receive the NAIC's group rate, you must register for the *Forum* prior to making hotel reservations. Information on how to receive the NAIC's group rate will be sent to you following registration. Hotel reservations may only be booked online.



Washington Marriott at Metro Center  
775 12th Street NW, Washington, DC 20005  
202-737-2200  
[www.metrocentermarriott.com](http://www.metrocentermarriott.com)  
Rate: \$279 per night, plus all applicable taxes

### Cancellations

Withdrawals for full refund are permitted up to three weeks before the beginning date of the *Forum*; cancellations after this date will result in no refund. Notification of cancellation must be received in writing. If issued, refunds will be mailed after the completion of the *Forum*. Substitutions are accepted up to one week before the *Forum* begins. For more information regarding refund, complaint and/or program cancellation policies, please contact our offices at 816-783-8200 or [education@naic.org](mailto:education@naic.org).

**REGISTER** online at <http://education.naic.org> or complete and return the registration form below by March 29 to take advantage of the early-bird rate. You will be contacted via e-mail with confirmation of your registration.

FL122

2012 International Insurance Forum  
**Global Regulatory Convergence and Supervisory Cooperation**

May 10-11, 2012

Washington Marriott at Metro Center  
Washington, DC

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 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Phone: \_\_\_\_\_ E-mail: \_\_\_\_\_

### Tuition

	by March 29	by April 19	after April 19
State/U.S. Government Employees	<input type="checkbox"/> \$445	<input type="checkbox"/> \$495	<input type="checkbox"/> \$545
All Others	<input type="checkbox"/> \$745	<input type="checkbox"/> \$795	<input type="checkbox"/> \$845

### Payment Method

- Check or Money Order payable to the NAIC (Payment must accompany registration form)
- Zone Funds (State Ins Dept Staff only)
- Grant Funds (State Ins Dept Staff only)
- Scholarship (State Ins Dept Staff only)
- Credit Card (We will contact you by phone to obtain payment information)

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## IAIS COMMITTEES AND SUBCOMMITTEES: UPDATE

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Established in 1994, the IAIS represents insurance regulators and supervisors of some 190 jurisdictions in more than 130 countries, constituting 97% of the world's insurance premiums. Since 1999, the IAIS has welcomed insurance professionals as Observers. Currently there are more than 120 Observers representing industry associations, professional associations, insurers and reinsurers, consultants and international financial institutions. The IAIS issues global insurance principles, standards and guidance, provides training and support on issues related to insurance supervision, and organizes meetings and seminars for insurance supervisors.

The IAIS works closely with other financial sector standard setting bodies and international organizations to promote financial stability. It holds an Annual Conference where supervisors, industry representatives and other professionals discuss developments in the insurance sector and topics affecting insurance regulation.

An Executive Committee, whose members represent different geographical regions, heads the IAIS. It is supported by three main committees - the Technical Committee, the Implementation Committee and the Budget Committee. These committees form subcommittees and working parties (working groups, task forces and groups) to accomplish their objectives.

### **Executive Committee [Commissioners McCarty (FL) and Therese Vaughan (NAIC)]**

- The last meetings took place in Basel on November 11<sup>th</sup>, in Miami on January 17-18<sup>th</sup> and in Basel on February 24<sup>th</sup>.
- The meeting on November 11<sup>th</sup> focused on strategic direction for ComFrame with respect to capital as a component of solvency assessment
- The meeting in Miami focused on a variety of issues and strategic considerations including:
  - Approval of the proposed Roadmap 2012-2013 which included some adjustments to the deliverable dates of certain standard setting workplans
  - Selecting panel topics for the Annual Conference 2012 and discussions on potential keynote speakers
  - Discussing the strategic direction of the IAIS for the five strategic areas – standard setting, standard implementation, financial stability, external interaction and effectiveness and efficiency.
- The meeting in Basel focused on follow up on a number of strategic items that were discussed at the previous meeting. A number of reports were received from other committees and other items discussed included:
  - A draft memorandum of understanding with the International Actuarial Association
  - A presentation by Timothy Lyman, from the Consultative Group to Assist the Poor on the G20's Global Partnership for Financial Inclusion
  - Reports on the 2011 Annual Conference, an update on planning for the 2012 Conference, a presentation on initial planning for the 2013 Conference and initiating the process for selecting venues for 2014 and 2015.

### **Budget Committee [Ryan Workman (NAIC)]**

- The last meeting took place on February 22nd in Basel.
- The Secretariat reported on the preliminary draft financials for 2011; Secretariat staff movements; fee payment status; and changes in Membership/Observership numbers.
- The Committee also reviewed the investment policy of the Association and made minor changes and clarifications.
- Reports were also received on the final financials on the 2011 Annual Conference and on the financial status for the 2012 and 2013 Conferences.

### **Technical Committee [Commissioner McCarty (FL)]**

- The last meeting took place on November 10th in Basel and on February 23 and 24 in Basel.
- This main purpose of the November meeting was to continue discussion from the prior Technical Committee meeting in Seoul on directions regarding capital as a component of solvency assessment within ComFrame. The Technical Committee decided to give direction (with Executive Committee's endorsement) to the Solvency Subcommittee in building the capital component of the solvency assessment of IAIGs in the context of ComFrame.
- The meeting in February addressed and discussed a number of ongoing workstreams of the Committee and/or its subcommittees, including:
  - Work related to requests / areas of interest from the Financial Stability Board including resolution measure for systemically important institutions, quality of capital and reduced reliance on credit rating agencies
  - The importance and role of supervisory process within ComFrame
  - An update on the technical-related projects in the Roadmap for 2012-2013, including revisions to ICP 9 (Supervisory Review and Reporting) and an application paper on financial inclusion and inclusive insurance markets
  - Updates from the Joint Forum and from the international organizations which are members of the Committee.

### **Financial Stability Committee [Commissioner Leonardi (CT); Elise Liebers (NAIC), Vice Chair]**

- The IAIS plans to have a public consultation on their provisional assessment methodology for identifying Globally Systemically Important Insurers (G-SIIs). The consultation period will likely run from late March to late April.
- The IAIS also plans to have a separate public consultation on their proposal for prudential measures to be applied to G-SIIs. This consultation will likely take place in the summer.
- The IAIS is participating on a Financial Stability Board (FSB) workstream related to shadow-banking. In particular, they are providing their knowledge and expertise on those activities of insurers that might be considered shadow-banking.

### **Accounting & Auditing Issues Subcommittee [Rob Esson (NAIC), Vice Chair]**

- The Accounting and Auditing Issues Subcommittee, chaired by Richard Thorpe of the UK FSA, met November 28-29 to discuss ComFrame valuation and disclosure issues. It decided to utilize the same structure as currently used for US statutory accounting, that is to accept, modify, or reject public accounting pronouncements. The subcommittee also decided that since the disclosure requirements of ICP 20 are particularly extensive, there was likely little need to require any additional disclosures for IAIG's.

- The subcommittee also met January 19 in Zürich and discussed the use of prudential filters to modify IFRS in ComFrame. A draft of such filters is currently being worked upon. The subcommittee agreed that it would endeavor to meet jointly with the solvency subcommittee in May in order to discuss disclosure and valuation.

#### **Governance and Compliance Subcommittee [Commissioner White (DC)]**

- The last meeting was held on January 16-17 in Dubai where drafting work on the governance aspects of the ComFrame Concept Paper were discussed (Module 3 Element 1, which is based on ICP 5 Suitability of Persons, ICP 7 Corporate Governance and ICP 8 Risk Management and Internal Controls). The Subcommittee went through the draft revised ICP 9 with particular focus on changes to revisions it had proposed as well as amendments from other working parties. The Secretariat updated the Subcommittee about the result of the internal review by the Working Parties of Technical Committee of the *Guidance on Regulation and Supervision Supporting Inclusive Insurance Markets*; the resulting proposal is to convert the financial inclusion guidance into an Application Paper.
- The next meeting is scheduled for April 16-17 in Chicago where the agenda will include further refining the drafting of the governance aspects of ComFrame and drafting suggestions for ICP 9.

#### **Insurance Groups & Cross-Sectoral Issues Subcommittee [Danny Saenz (TX); Rob Esson (NAIC)]**

- IGCS was assigned to respond to FSB questions regarding the effectiveness of the improvements made to supervisory colleges and to report back by end-2012. The IGCS utilized regional roundtables and targeted questionnaires to obtain the necessary information to respond. NAIC and BaFin are drafting the initial response, which is very positive based on the results of the roundtables and questionnaire.
- IGSC continues discussions in both open and closed sessions related to ComFrame Module 1 and 4. NAIC has shared significant comments, which have been provided verbally and in written form to IGSC. Module 1 discussions focus on the criteria to be an IAIG.
- IGSC released a questionnaire for the purpose of a fact finding exercise and to be used solely as the basis for the development of the Issue paper on Supervision of Cross-border operations through branches. NAIC is on the drafting group and assisted with creating the questionnaire.
- The Subcommittee will continue to review the revisions to ICP 9 Supervisory Review and Reporting to ensure no gaps exist with ICP 23 Group-wide Supervision.

#### **Insurance Fraud Working Group [Ryan Workman (NAIC)]**

- This group has not met since May of 2011; the next meeting is scheduled to take place on April 18 in Chicago.

#### **Market Conduct Subcommittee [Commissioner Voss (IA)]**

- The last meeting was held in Dubai on January 18-19th where the subcommittee reviewed suggested revisions to ICP 9, which included comments from other working parties; the resulting draft would be consolidated with feedback from other working parties and discussed further. The content on policyholder protection schemes within ComFrame was discussed and revisions made based on comment received. The Subcommittee received three presentations from IAIS members (United Arab Emirates, Quebec and Switzerland) on the

supervision of conduct of business in their jurisdictions. Members also discussed the outline for the Issues Paper on policyholder protection schemes and established timelines in order to have a first draft ready for discussion at their next meeting.

- The next meeting is scheduled for April 19-20th in Chicago and will include discussions on the draft Issues Paper on policyholder protection schemes, the outline of an Application Paper on supervisory approaches to conduct of business and further consideration of market conduct related aspects of ComFrame.

**Reinsurance and Other Forms of Risk Transfer Subcommittee and Reinsurance Mutual Recognition Subgroup [Commissioner Consedine (PA); Ryan Couch (NAIC), Chair]**

- The Reinsurance Subcommittee (RSC) met February 1 in Basel, Switzerland.
- A drafting group of the RSC is in the early stages of reviewing the guidance paper on the regulation and supervision of captive insurers, taking into consideration revisions to the ICPs. The drafting group met in November in Washington DC and plans to meet in May to continue work on this project. It is intended that this paper will be completed in 2013.
- A presentation was provided by the Bermuda Monetary Authority with respect to captive issues and captive regulation in Bermuda.
- The RSC is awaiting the most recent draft of ICP 9 Supervisory Review and Reporting, along with its standards and guidance, and will provide feedback on any further enhancement that should be considered from a reinsurance perspective.
- The RSC received an update regarding ComFrame and has been requested to provide input to specific questions with respect to reinsurance-related aspects applicable to Internationally Active Insurance Groups within ComFrame.
- A presentation was provided by industry observers to discuss industry perspectives on a number of reinsurance/financial stability issues, including market concentration, post-catastrophe pricing behavior, interconnectedness, and failure and resolution.
- The first edition of the IAIS Global Insurance Market Report will be published in April 2012. This new report is intended to be more comprehensive than the Global Reinsurance Market Report previously published by the RSC and Reinsurance Transparency Group (RTG), which focused on reinsurance issues. The RSC and RTG will assist in providing contributions to this report.
- The next RSC meeting is scheduled for May 16-17 in Cape Town, South Africa.

**Solvency and Actuarial Issues Subcommittee [Director Uriais (AZ); Ramon Calderon (NAIC), Chair]**

- A drafting group of the SSC met on January 5-6, 2012 to begin drafting ComFrame guidance on group capital in light of the strategic direction provided by the Technical Committee.
- The full SSC met on January 30-31, 2012 to further discuss those efforts, along with other agenda items including a presentation by Director Urias on the U.S. Solvency Framework, and a presentation from Philipp Keller of Deloitte regarding the Swiss Solvency Test. Other agenda items included a further discussion of the SSC's response to the Technical Committee regarding its review of the Basel Committee's capital and liquidity reforms and an update on the report that will be provided to the Technical Committee regarding "reduced reliance on the use of credit rating agencies".
- Prior to the January 30-31, 2012 SSC meeting in Basel, the U.S. chief financial regulators provided direction (to the U.S. representatives assigned to the SSC) on the approach to

assessing group-wide capital for ComFrame purposes. Director Urias participated in the January 30-31 meeting in Basel and provided the U.S. perspective to the SSC.

- The current version of ComFrame (submitted to the February 22-24, 2012 Technical Committee meeting) largely reflects the strategic direction on group capital provided by the U.S. insurance regulators. Specifically, the language allows the group-wide supervisor, in cooperation with other involved supervisors, to establish the group-wide capital risk measurement taking into consideration the nature and extent of solvency regulation within the various jurisdictions in which the IAIG operates. Group capital should be set at a sufficient level so that, in adversity, an IAIG's insurance legal entity obligations to policyholders will continue to be met as they fall due. It further requires that all relevant and material categories of risk be addressed.
- Further work remains outstanding. The next version of ComFrame that will be released for consultation is due June 30, 2012.

### **Implementation Committee [Ekrem Sarper (NAIC)]**

- The Implementation Committee (IC) met February 22 in Basel, Switzerland.
- Members received reports from the Subcommittee Chairs of the Implementation Committee.
- Each of the subcommittee Chairs reported on the work and the progress their groups were marking in achieving their strategic objectives.
- The Financial Stability Board (FSB) presented a report on the work of the FSB's Standing Committee on Standards Implementation.
- Members received reports from the Asian Development Bank related to further cooperation with the IAIS, a presentation from the United Nations Environment Program regarding proposed principles for sustainable insurance.
- Regional coordinators also provided updates on upcoming regional training seminars which the IAIS is supporting or had supported.
- The next meeting will be held during the next Committee meeting in the Cayman Islands.

### **Standards Observance Subcommittee [Ekrem Sarper (NAIC), Vice Chair]**

- The last meeting of this subcommittee was held February 21 in Basel, Switzerland.
- The Financial Stability Board (FSB) presented a report on their work related to their paper on Supervisory Intensity and Effectiveness and the work related to "Assessments and Peer Review" and Coordination Framework for Implementation Monitoring.
- The subcommittee received a report on the Status of the FSB recommended self-assessments, ICP 1, 2 & 23.
- The subcommittee agreed to start the process re the next assessment questionnaires related to ICPs 4, 5, 7 and 8.
- The subcommittee agreed to begin work on the IAIS Assessment and Peer Review Handbook preparation as well as discussed IAIS resources and funding to support extended engagement with Specialist and IT resources.

### **Supervisory Cooperation Subcommittee [Gita Timmerman (NAIC)]**

- The SCS discussed proposed revisions to the MMoU to (a) attempt to clarify certain confidentiality provisions with respect to providing prior consent; (b) accommodate the

modus operandi of supervisory colleges and (c) facilitate amendments to the MMoU in the future. The SCS agreed with the proposed MMoU revisions and to progress as indicated.

- The SCS discussed the proposal for implementing the IROSC. The SCS agreed to add a list of insurance groups for which a supervisory college has been established with contact information of the lead supervisor on the website to be made available to Members only.
- The SCS discussed the results of the survey on supervisory colleges conducted in November 2011. In addition, key lessons from the three regional roundtables on supervisory colleges were discussed which focused on specific aspects of supervisory colleges, including usefulness, obstacles to effectiveness and operational logistics. The SCS might revisit the findings from the survey at a later stage.
- The SCS examined the main recommendations of the self-assessment/peer review on supervisory cooperation and information exchange. The SCS generally agreed that promoting the MMoU and developing a supervisory cooperation survey on the MMoU need follow up.

#### **Education Subcommittee [Ekrem Sarper (NAIC)]**

- The last meeting of this subcommittee was held February 22 & 23 in Basel, Switzerland.
- Members discussed various regional seminars for 2012 as well as received a report related to the upcoming Global Seminar which will be held on June 18 immediately before the next IAIS Committee Meetings in the Cayman Islands.
- The subcommittee established three new working groups to carry out the mandate of the subcommittee: the Catalyst role, Survey, and Supervisory Working Groups.
- The subcommittee also discussed developing teaching notes and a supervisory guide.
- The subcommittee also received an update on the proposed induction seminar and greater coordination with the Financial Stability Institute (FSI) of the Bank for International Settlements (BIS).

#### **Subcommittee on Financial Inclusion [Gita Timmerman (NAIC)]**

- The IAIS- Min Joint Working Group (JWG) has changed its name to the Subcommittee on Financial Inclusion and has a new Chair Mr. Mustapha Lebbar (Morocco).
- The Microinsurance Drafting Group met in Basel on January 11-13 to discuss matters relating to the Draft Guidance Paper on Regulation and Supervision Supporting Inclusive Insurance Markets. The group discussed comments to the paper and decided to recast the paper as an application paper in order to facilitate more comprehensive explanations of the issue of inclusion and the regulatory and supervisory issues that arise in relation thereto.
- The next meeting will be held May 8-11 in Morocco.

## NAIC INTERNATIONAL CALENDAR

DATE		MEETING	LOCATION
<b>January</b>			
5	6	IAIS: Solvency and Actuarial Issues Subcommittee Ad hoc Drafting Group	Sydney, Australia
10		Financial Stability Board (FSB): Plenary	Basel, Switzerland
11	13	IAIS: Microinsurance Drafting Group	Basel, Switzerland
16	18	IAIS: Financial Stability Committee and Executive Committee Retreat	Miami, FL
16	19	IAIS: Governance and Compliance Subcommittee and Market Conduct Subcommittee	Dubai, UAE
17	18	Joint Forum: Risk Assessment and Capital Working Group Meeting	Frankfurt, Germany
19		IAIS: Accounting and Auditing Issues Subcommittee	Zurich, Switzerland
19	20	G-20 Deputies	Mexico City, Mexico
25		US-EU Financial Markets Regulatory Dialogue – Video Conference	Washington, DC
25	27	IAIS: European Roundtable on Supervisory Colleges and Insurance Groups Subcommittee	Basel, Switzerland
26	27	OECD: 2nd-Asia Regional Seminar on Insurance Statistics and Regulatory Dialogue with OIC Leadership	Bangkok, Thailand
26	27	FSB: Workstream on Shadow Banking Activities	Brussels, Belgium
30	31	IAIS: Standards Observance Subcommittee Experts Review Team Meeting	Basel, Switzerland
31		FSB: Standing Committee on Supervision and Regulatory Cooperation	London, England
30	1-Feb	IAIS: Solvency and Actuarial Issues Subcommittee and Reinsurance Subcommittee	Basel, Switzerland
<b>February</b>			
1	2	IAIS: Financial Stability Committee Specialist Subgroup	Basel, Switzerland
1	2	IAIS: Supervisory Forum	Basel, Switzerland
22		US-EU Coordination Group Meeting	Basel, Switzerland
21	24	IAIS: Committee Meetings: (Financial Stability, Technical, Implementation and Executive Committees)	Basel, Switzerland
24	25	G-20 Deputies	Mexico City, Mexico
25	26	G-20 Ministerial	Mexico City, Mexico
28	29	Joint Forum: Meeting	Miami, FL

<b>March</b>			
20	21	Financial Stability Institute Seminar	Basel, Switzerland
22	23	Geneva Association: Meeting w/ IAIS Executive Committee and PROGRES Seminar	Geneva, Switzerland
29		IAIS: Macroprudential Surveillance Working Group	London, England
<b>April</b>			
9	13	NAIC: International Fellows Program	Kansas City, MO
16	20	IAIS: Market Conduct Subcommittee, Insurance Fraud Working Group and Governance and Compliance Subcommittee	Chicago, IL
18	20	US - EU Regulatory Dialogue	Miami, FL
19	20	G-20 Ministerial	Washington, DC
21		IMF/WB: Spring Meetings	Washington, DC
22	26	ASSAL: Annual Conference	Guayaquil, Ecuador
<b>May</b>			
7	8	IAIS: Financial Stability Committee	Basel, Switzerland
8	11	IAIS: Microinsurance Joint Working Group	Morocco
9		IAIS: Financial Stability Committee Specialist Subgroup	Basel, Switzerland
10	11	NAIC: International Forum	Washington, DC
14	18	IAIS: Insurance Group, Solvency and Actuarial, Accounting and Reinsurance Subcommittees	Cape Town, South Africa
19	20	G-8 Leaders' Summit	Chicago, IL
21	22	NAIC: International Fellows Program	New York, NY
23	24	Joint Forum: Risk Assessment and Capital Working Group Meeting	Toronto, Canada
22	26	International Actuarial Association (IAA): Meeting	Los Angeles, CA
<b>June</b>			
1		European Insurance Association (CEA): 4th International Conference	Amsterdam, Netherlands
4	5	IAIS: Financial Stability Committee	Hartford, CT
6	8	OECD: Working Party of Governmental Experts on Insurance (WPGEI) and Insurance & Private Pensions Committee (IPPC)	Paris, France
6	9	Geneva Association General Assembly	Washington, DC
14	15	G-20 Leaders' Summit	Los Cabos, Mexico
19	21	IAIS: Committee Meetings: (Financial Stability, Technical, Implementation and Executive Committees, Macroprudential Surveillance Working Group)	Cayman Islands
26	27	Joint Forum: Meeting	Amsterdam, Netherlands

<b>July</b>			
18	19	IAIS: Financial Stability Committee	Rome, Italy
<b>August</b>			
27	31	IAIS: Working Parties of Implementation Committee	Basel, Switzerland
<b>September</b>			
3	7	IAIS: Working Parties of Technical Committee	Basel, Switzerland
10	11	IAIS: Accounting and Auditing Issues Subcommittee	New York, NY
11	12	IAIS: Financial Stability Committee	Basel, Switzerland
13		IAIS: Macprudential Surveillance Working Group	Basel, Switzerland
17	21	IAIS: Insurance Groups Subcommittee, Market Conduct Subcommittee, Governance and Compliance Subcommittee, and Reinsurance Subcommittee	Basel, Switzerland
25	28	IAIS: Solvency and Actuarial Issues Subcommittee and Supervisory Forum	Singapore
<b>October</b>			
7	12	IAIS: Committee Meetings, Annual Conference and General Meeting	Washington, DC
12		IMF/WB: Annual Meetings	Tokyo, Japan
15	19	NAIC: International Fellows Program	Kansas City, MO
<b>November</b>			
12	16	IAIS: Governance and Compliance Subcommittee and Market Conduct Subcommittee	Hyderabad, India
14	15	Joint Forum: Meeting	TBD
15	18	IAA: Council and Committee Meetings	Bahamas
19	20	NAIC: International Fellows Program	New York, NY
26	27	IAIS: Reinsurance Subcommittee and Macprudential Surveillance Working Group	Washington, DC
<b>December</b>			
3	4	IAIS: Supervisory Forum	Washington, DC
6	7	OECD: Working Party of Governmental Experts on Insurance (WPGEI) and Insurance & Private Pensions Committee (IPPC)	Paris, France
10	14	IAIS: Insurance Groups Subcommittee and Solvency and Actuarial Issues Subcommittee	Washington, DC

### List of Abbreviations

<b>ABIR</b>	Association of Bermuda Insurers and Reinsurers
<b>AFIRC</b>	Arab Forum of Insurance Regulatory Commissions
<b>AITRI</b>	ASEAN Insurance Training & Research Institute
<b>APEC</b>	Asian-Pacific Economic Cooperation
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>ASSAL</b>	Association of Latin American Insurance Supervisors
<b>BIS</b>	Bank for International Settlements
<b>CEA</b>	Comité Européen des Assurances (European insurance and reinsurance federation)
<b>CEIOPS</b>	Committee of European Insurance and Occupational Pensions Supervisors
<b>CGAP</b>	Consultative Group to Assist the Poor
<b>EIOPA</b>	European Insurance and Occupational Pensions Authority
<b>EU</b>	European Union
<b>FSB</b>	Financial Stability Board
<b>FSI</b>	Financial Stability Institute
<b>FSWG</b>	Financial Sector Working Group
<b>GATS</b>	General Agreement on Trade in Services
<b>G30</b>	Group of Thirty, Consultative Group on International Economic and Monetary Affairs
<b>IAA</b>	International Actuarial Association
<b>IAIS</b>	International Association of Insurance Supervisors
<b>IASB</b>	International Accounting Standards Board
<b>ICCL</b>	Insurance Control Commission Lebanon
<b>IFC</b>	International Finance Corporation
<b>IIF</b>	Institute for International Finance
<b>IOPS</b>	International Organization of Pension Supervisors
<b>IOSCO</b>	International Organization of Securities Commissions
<b>IPPC</b>	OECD Insurance and Private Pensions Committee
<b>JCCT</b>	US-China Joint Commission on Commerce and Trade
<b>MIN</b>	Microinsurance Network
<b>NAFTA</b>	North American Free Trade Agreement
<b>NCOIL</b>	National Conference of Insurance Legislators
<b>OCC</b>	Office of the Comptroller of the Currency
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>OGIS</b>	Offshore Group of Insurance Supervisors
<b>PROGRES</b>	Research Programme on Regulation, Supervision and Legal Issues in Insurance
<b>USTR</b>	U.S. Trade Representative
<b>WTO</b>	World Trade Organization

### National Supervisory Authorities:

<b>Australia</b>	Australian Prudential Regulatory Authority (APRA)
<b>Belgium</b>	Commission Bancaire, Financière et des Assurances (CBFA)
<b>Brazil</b>	Superintendência de Seguros Privados (SUSEP)
<b>Canada</b>	Office of the Superintendent of Financial Institutions (OSFI)
<b>China</b>	China Insurance Regulatory Commission (CIRC)
<b>France</b>	l'Autorité de Contrôle Prudentiel (ACP)
<b>Hungary</b>	Hungarian Financial Supervisory Authority (HFSA)
<b>India</b>	India Insurance Regulatory and Development Authority (IRDA)
<b>Italy</b>	Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo (ISVAP)
<b>Japan</b>	Financial Services Agency (FSA)
<b>Korea</b>	Financial Supervisory Service (FSS)
<b>Switzerland</b>	Swiss Financial Market Supervisory Authority (FINMA)
<b>UK</b>	Financial Supervisory Authority (FSA)

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