

Draft Pending Adoption

Draft: 8/16/22

International Insurance Relations (G) Committee
Portland, Oregon
August 10, 2022

The International Insurance Relations (G) Committee met in Portland, OR, Aug. 10, 2022. The following Committee members participated: Gary D. Anderson, Chair (MA); Eric Dunning, Vice Chair (NE); Evan G. Daniels (AZ); Andrew N. Mais (CT); David Altmaier (FL); Doug Ommen (IA); Dana Popish Severinghaus (IL); James J. Donelon (LA); Kathleen A. Birrane (MD); Anita G. Fox (MI); Troy Downing (MT); Marlene Caride (NJ); Alexander S. Adams Vega (PR); and Michael Wise (SC).

1. Adopted its July 21 and Spring National Meeting Minutes

The Committee met July 21 to discuss and hear views and comments from interested parties on the International Association of Insurance Supervisors' (IAIS') public consultation on the draft criteria that will be used to assess whether the aggregation method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS).

Additionally, Commissioner Anderson noted that the Committee met June 6 in regulator-only session, pursuant to paragraph 8 (consideration of strategic planning issues) of the NAIC Policy Statement on Open Meetings, to hear a preview of and provide steering on main agenda items for the IAIS committee meetings and Global Seminar, which took place mid-June.

Commissioner Altmaier made a motion, seconded by Commissioner Caride, to adopt the Committee's July 21 (Attachment One) and April 7 (*see NAIC Proceedings – Spring 2022, International Insurance Relations (G) Committee*) minutes. The motion passed unanimously.

2. Discussed the FRB's IPAC Paper on the ICS

Commissioner Anderson explained that the purpose of this agenda item was to highlight ongoing developments both domestically and at the international level on the ICS, in particular a recent paper released by the Federal Reserve Board's (FRB's) Insurance Policy Advisory Committee (IPAC) on the ICS.

Pooja Rahman (IPAC/Protective Life) gave an overview of the IPAC's recent work, explaining that the objective of the study was to assess the potential impact of the IAIS' ICS on U.S. insurers, policyholders, and markets, with a focus on long-duration life insurance and retirement products. She noted that the paper considers the impact specifically of the reference version of the ICS being used during the monitoring period. She explained that the ICS stylized model used for the study leverages the work of the Chief Risk Officer Coalition and the IAIS' reference ICS. She said that the IPAC's analysis identified a number of issues but that a redesigned ICS has the potential to provide regulators with a globally comparable measure of group solvency that is consistently market-based and reflective of an expanded set of risk factors relative to the existing U.S. state-based capital regime.

Ms. Rahman explained three main observations that the IPAC identified: 1) the ICS fails to reflect several relevant asset classes and is overly reactive to credit spread movements; 2) the treatment of participating life insurance (par-life) in the ICS discounting methodology is misaligned with the actual risk-mitigating profile of that business, causing overstatement of risk charges in low interest rate environments; and 3) the ICS does not recognize

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dynamic hedging programs or the use of long-term alternative assets in liability management, introducing regulatory conflict between the ICS and U.S. statutory rules to which many businesses conform. The IPAC paper recommends certain changes to address or mitigate these observations and also proposes that such changes be considered for the version of the ICS that would be used in the forthcoming AM comparability assessment.

3. Heard an Update on 2022 Activities of the IAIS

Director Dunning reported on recent IAIS activities, starting with an update on the IAIS committee meetings and Global Seminar held in Dubrovnik, Croatia, in mid-June, where significant developments were made on a variety of workstreams.

Director Dunning said that on the holistic framework, work is progressing on the targeted jurisdictional assessment (TJA) draft individual reports for the 10 involved jurisdictions that are currently being reviewed by a TJA member review panel. Later this fall, the focus will shift to drafting reports that the IAIS will provide to the Financial Stability Board (FSB) to inform its decision on whether to continue the designation process of global systemically important insurers. As reported earlier, the U.S. on-site assessment took place in mid-January, which included Connecticut, New Jersey, and New York as state volunteers.

Director Dunning noted that in September, the IAIS will conduct its annual collective discussion as part of the global monitoring exercise. Through the individual insurer monitoring and sector-wide monitoring data collections, the IAIS has identified themes and insurers to discuss for potential financial stability issues and what supervisors are doing to mitigate such risks. These discussions will also help inform what is included in the IAIS' Global Insurance Market Report, which is published towards year-end.

Director Dunning reported that in June, the IAIS released a public consultation on draft comparability criteria to assess whether the AM provides comparable outcomes to the ICS. The Committee met July 21 to discuss these draft criteria, and stakeholders were encouraged to submit comments to the IAIS by the Aug. 15 deadline. Relatedly, he noted that templates were released in April for the AM and ICS data collections, which are part of the third year of the five-year monitoring period, and that this data is due at the end of August.

Director Dunning concluded by noting that a number of other IAIS activities are underway related to the several metrics, including: climate; diversity, equity, and inclusion (DE&I); operational resilience; cyber; and liquidity. The upcoming September committee meetings will include discussion and work on the IAIS' 2023–2024 road map.

4. Heard an Update on International Activities

a. Regional Supervisory Cooperation

Commissioner Anderson highlighted the three topics of focus in 2022 for the European Union (EU)-U.S. Insurance Dialogue Project: 1) climate risk financial oversight, including climate risk disclosures, supervisory reporting, and other financial surveillance; 2) climate risk and resilience, including innovative technology, pre-disaster mitigation, and adaptation efforts, and modelling; and 3) innovation and technology, which will include topics such as big data, artificial intelligence (AI), and supervisory technology as a regulatory tool. He noted that the project's working groups have met several times and will be producing a summary report of the discussions by the end of this year. Additionally, he said that a public Project Forum is expected to take place in 2023.

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Commissioner Anderson reported that a number of bilateral discussions were held between NAIC representatives and international counterparts over the last few months. This included a biannual meeting with Bermuda, where climate risk, cyber risk, innovation, and the increasing role of private equity in insurance were topics of discussion. The NAIC used the in-person IAIS June committee meetings and Global Seminar as an opportunity to hold bilateral meetings with colleagues from Hong Kong, Japan, Singapore, and Taiwan to discuss a variety of topics of mutual interest. Notably, the NAIC and the Conférence Interafricaine des Marchés D'Assurance (CIMA) discussed respective priorities and took the opportunity to sign a memorandum of understanding that had been put on hold in early 2020 due to COVID-19.

Commissioner Anderson reported that NAIC members and staff joined more than 20 insurance regulators from around the globe for the Bank of England's virtual 9th Workshop for Heads of Insurance Supervision to discuss recent regulatory updates in the United Kingdom (UK), as well as key challenges to the industry as a whole. He noted upcoming speaking engagements at the Eurofi Conference in Prague, Czech Republic, on Sept. 7 and at the Association of Bermuda Insurance and Reinsurance (ABIR) annual event in Brussels, Belgium, on Sept. 8–9.

Commissioner Anderson noted that the NAIC International Fellows Program will take place in person for the first time in three years this fall, beginning on Oct. 10. With the application period having just closed, he noted applications were received from many qualified regulators from various jurisdictions around the world. Seven states have agreed to serve as hosts, and there is a small window to take more states if they are interested in serving as hosts.

Lastly, Commissioner Anderson noted that the NAIC has been hosting Mimi Vinaiphat from the Office of Insurance Commission (OIC) in Thailand this summer at its Capital Markets and Investments Analysis Office in New York City as an intern as part of completing a master's degree in data analytics from Carnegie Mellon University (Pittsburgh, PA). He thanked her for her work this summer, which has been extremely helpful and demonstrates the NAIC's commitment to engagement with international counterparts.

b. OECD

Commissioner Anderson reported that in June, NAIC staff participated in the Organisation for Economic Co-operation and Development (OECD) Insurance and Private Pensions Committee (IPPC) and provided updates on topics from a U.S. perspective, including a summary of 2021 insurance industry statistics; an update on the effects on the U.S. insurance and financial markets of the Ukraine/Russia war; and the NAIC's climate risk-related workstreams.

c. SIF

Commissioner Anderson reported that the Sustainable Insurance Forum (SIF) had an informal working group meeting in June to discuss net zero transmission plans and access and affordability in insurance. This included new products being offered, such as parametric insurance, and private-public partnerships to address climate risk protection gaps in member jurisdictions. The next meeting of the SIF is expected to be in the fall.

SharePoint/NAIC Support Staff Hub/Member Meetings/G CMTE/National Meetings/2022/Portland – Summer National Meeting/Minutes

Draft: 11/9/22

Adopted by the Executive (EX) Committee and Plenary, Dec. __, 2022

Adopted by the International Insurance Relations (G) Committee, Dec. __, 2022

2023 Proposed Charges

INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE

The mission of the International Insurance Relations (G) Committee is to: 1) coordinate NAIC participation in international discussions on and the development of insurance regulatory and supervisory standards; 2) promote international cooperation; 3) coordinate on international insurance matters with the U.S. federal government, including the U.S. Department of the Treasury (Treasury Department), the Federal Reserve Board (FRB), the Office of the U.S. Trade Representative (USTR), the U.S. Department of Commerce (DOC), and other federal agencies; and 4) provide an open forum for NAIC communication with U.S. interested parties, stakeholders, and among its members on international insurance matters.

Ongoing Support of NAIC Programs, Products, or Services

1. The **International Insurance Relations (G) Committee** will:
 - A. Monitor and assess activities at international organizations, such as the International Association of Insurance Supervisors (IAIS), the Financial Stability Board (FSB), and the Organisation for Economic Co-operation and Development (OECD), that affect U.S. insurance regulation, U.S. insurance consumers, and the U.S. insurance industry.
 - B. Support and facilitate the participation of state insurance regulators and the NAIC in relevant workstreams of international organizations.
 - C. Develop NAIC policy on international activities and issues, coordinating, as necessary, with other NAIC committees, task forces, and working groups and communicating key international developments to those NAIC groups.
 - D. Coordinate and facilitate state efforts to participate in key bilateral and multilateral dialogues, projects, conferences, and training opportunities with international regulators and international organizations, both directly and in coordination with the federal government, as appropriate.
 - E. Strengthen foreign regulatory systems and relationships by interacting with international regulators and sharing U.S. supervisory best practices, including conducting an International Fellows Program and educational (technical assistance) seminars to provide an understanding of the U.S. state-based system of insurance regulation.
 - F. Coordinate the NAIC's participation in the International Monetary Fund (IMF)/World Bank Financial Sector Assessment Program (FSAP).
 - G. Coordinate state efforts to assist in achieving U.S. international trade objectives through reviewing relevant materials, developing input, and providing assistance and expertise on insurance matters to the USTR and/or other federal entities.

NAIC Support Staff: Ryan Workman/Nikhail Nigam

SharePoint/NAIC Support Staff Hub/Committee Charges