

## Draft Pending Adoption

Draft: 3/4/24

International Insurance Relations (G) Committee  
Virtual Meeting  
February 15, 2024

The International Insurance Relations (G) Committee met Feb. 15, 2024. The following Committee members participated: Gary D. Anderson, Chair (MA); Dean L. Cameron, Co-Vice Chair (ID); Eric Dunning, Co-Vice Chair (NE); Andrew N. Mais represented by William Arfanis (CT); Michael Yaworsky represented by Ray Spudeck (FL); John F. King represented by Martin Sullivan (GA); Dana Popish Severinghaus represented by Susan Berry (IL); Vicki Schmidt (KS); Anita G. Fox represented by Steve Mayhew (MI); Glen Mulready (OK); and Carter Lawrence (TN).

### 1. Discussed NAIC Comments on the IAIS Public Consultations on Climate Risk Supervisory Guidance

Commissioner Anderson explained that the International Association of Insurance Supervisors (IAIS) is conducting public consultations on climate risk-related supervisory guidance for both market conduct issues and risk scenario analysis. He noted that the two climate risk-focused documents are the first in a series of upcoming consultations on the topic that the IAIS plans to carry out this year. Regarding the draft application paper on climate risk market conduct issues in the insurance sector, Commissioner Anderson explained the IAIS aims to support supervisors in their efforts to identify instances of potential unfair treatment of consumers that can emerge concerning sustainability-focused products or natural catastrophe protection products. Next, on the draft application paper on climate risk scenario analysis, Commissioner Anderson said the focus is the use of climate-related scenario analysis by both supervisors and insurers to understand the risks to which the insurance sector is exposed at a micro- and macroprudential level.

Commissioner Anderson said the NAIC's initial draft comments are based on an internal review of the draft application papers and comments from members of various NAIC groups. For the market conduct paper, the groups involved were the Market Regulation and Consumer Affairs (D) Committee and the Climate and Resiliency (EX) Task Force. For the scenario analysis paper, the groups involved were the Financial Stability (E) Task Force, Macroprudential (E) Working Group, and Solvency Workstream of the Climate and Resiliency (EX) Task Force. Those initial comments were circulated for review in advance of the call. Input was received from an interested state insurance regulator and incorporated; otherwise, no additional input for consideration was received.

Ryan Workman (NAIC) provided an overview of the NAIC's comments on the two draft application papers, noting that some were minor and editorial. More substantive comments addressed areas where clarification or consistency would be helpful.

Commissioner Lawrence said he appreciated the clarification comments raised, specifically the definitions surrounding sustainability in the market conduct application paper, and asked for more detail on the IAIS consultation process. Workman explained the process, noting the relevant IAIS groups will review all public consultation comments received, and their points will be amplified by the representatives of those groups. Workman also noted that the IAIS is usually receptive to comments that help clarify and improve the text and that, in addition to the IAIS groups responsible for drafting the papers, these will make their way through the relevant IAIS parent committees before being formally adopted. This allows for NAIC involvement at many stages throughout the process.

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Berry inquired as to the likelihood of points from these papers making it into standards under the IAIS Insurance Core Principles (ICPs). Workman noted that these are application papers that provide additional guidance to existing standards. He explained there are references to certain ICPs throughout the paper, so the idea is to look at existing standards in the context of climate risk. He said there is no intention to elevate the material to standards as the views expressed are more to illustrate good practices and not set requirements.

Dave Snyder (American Property Casualty Insurance Association—APCIA) commented that the NAIC's comments were consistent with those of the APCIA and Global Federation of Insurance Associations (GFIA). He said the market conduct paper's scope goes beyond greenwashing to all environmental, social, and governance considerations and that their comments will note other misleading areas that should be addressed.

Steve Broadie (APCIA) noted the scenario analysis paper is a useful primer for climate risk scenario analysis and the need to consider the cost and proportionality when conducting such analysis. He said using this type of scenario analysis would be unsuitable for capital charges. He said the paper is too prescriptive in certain areas, and the document might be used to impose public policy, which is out of scope for insurance supervisors. Additionally, Broadie said if there is any public disclosure, it should not be on an individual insurer basis. Broadie concluded by reiterating the APCIA's intention to submit comments to the IAIS as part of the public consultation process.

Director Fox made a motion, seconded by Director Cameron, to approve the submission of the NAIC comments (Attachment A and Attachment B). The motion passed unanimously.

Having no further business, the International Insurance Relations (G) Committee adjourned.

SharePoint/Support Staff Hub/Committees/G Committee/National Meetings/2024/Phoenix-Spring National Meeting/Minutes/G Cmte Minutes 021524

## Draft Pending Adoption

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International Insurance Relations (G) Committee  
Orlando, Florida  
December 1, 2023

The International Insurance Relations (G) Committee met in Orlando, FL, Dec. 1, 2023. The following Committee members participated: Gary D. Anderson, Chair (MA); Eric Dunning, Vice Chair (NE); Lori K. Wing-Heier (AK); Ricardo Lara represented by Lucy Wang (CA); Andrew N. Mais (CT); Gordon I. Ito (HI); Doug Ommen (IA); Dean L. Cameron represented by Jessie Adamson (ID); Dana Popish Severinghaus (IL); James J. Donelon (LA); Kathleen A. Birrane (MD); Anita G. Fox (MI); and Justin Zimmerman (NJ). Also participating were: Robert Wake (ME); and John Rehagen (MO).

### 1. Adopted its Sept. 14 and Summer National Meeting Minutes

The Committee met Sept. 14 and discussed NAIC comments on the International Association of Insurance Supervisors (IAIS) public consultation on the issues paper on the roles and functioning of policyholder protection schemes.

Director Wing-Heier made a motion, seconded by Commissioner Mais, to adopt the Committee's Sept. 14 (Attachment One) and Aug. 13 (*see NAIC Proceedings – Summer 2023, International Insurance Relations (G) Committee*) minutes. The motion passed unanimously.

### 2. Adopted its 2024 Proposed Charges

Commissioner Anderson introduced the Committee's 2024 proposed charges. Ryan Workman (NAIC) briefly explained the proposed changes to the Committee's charges, which were editorial and better reflect the broader scope and nature of some of the Committee's work.

Director Dunning made a motion, seconded by Director Wing-Heier, to adopt the Committee's 2024 proposed charges (Attachment Two). The motion passed unanimously.

### 3. Heard an Update on the Evolution of Group Capital and Supervisory Recognition

Commissioner Anderson spotlighted the areas of group capital and supervisory recognition and how they have evolved over what is a relatively short period of time. He began with a review of the post-financial crisis period and how domestic and international regulators charted a way forward. Commissioner Anderson reviewed the previous work of the NAIC's former ComFrame Development and Analysis (G) Working Group, which provided ongoing review, as well as technical and strategic input on the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) and international group capital developments.

Wake provided a review of the work of the NAIC's Mutual Recognition of Jurisdictions (E) Working Group and the implementation of the certified reinsurer process to evaluate the regulatory system in the home jurisdictions of reinsurers. He explained that the Working Group conducts reviews of jurisdictions that want to be considered jurisdictions and identified seven: Bermuda, France, Germany, Ireland, Japan, Switzerland, and the United Kingdom (UK). Wake noted that the European Union (EU) and the UK committed that they would not try to impose

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global European standards on American insurance groups as long as the U.S. has an acceptable group capital calculation (GCC).

Next, Dan Schlep (NAIC) provided the Committee with a review of the covered agreements process and also spoke about the EU reinsurance reciprocal status. He outlined the achievements of the covered agreement, including: 1) requiring that states recognize EU reinsurers, while maintaining 100% solvency capital ratio, and in return U.S. reinsurers do business in the EU with zero collateral, and the elimination of a local presence requirement; 2) the GCC is recognized by the EU, which was an important factor; and 3) information sharing and regulatory cooperation between the EU and the U.S. The covered agreement went immediately into effect with the EU. However, it went into delayed effect for the states, as states were required to adopt reinsurance collateral revisions within five years of the agreement being made. Schlep reported that all 56 U.S. jurisdictions have adopted the reinsurance laws that brought them into compliance with the covered agreement. He spoke about the Joint Committee that recently met on Oct. 26 and reported that no issues were brought to the Federal Insurance Office (FIO) or the Office of the U.S. Trade Representative (USTR) on states not maintaining compliance.

Rehagen, chair of the Group Capital Calculation (E) Working Group, highlighted the history and current status of the GCC. He said that the basic concept of the GCC is that it aggregates existing minimum capital amounts on all insurers in the holding company and adds to that calculated capital figures using factors for non-regulated entities. Then it compares those to total available capital. Rehagen noted all groups with more than \$1 billion in premium are required to complete the GCC, but the commissioner can use discretion to require other groups under that size to also file to the extent that they have insurance operations in other countries, have a bank in the holding company structure, or have other potential risks with non-regulated entities. He provided a timeline of adoption throughout U.S. states and expectations for the future. Rehagen concluded by noting that a recommendation that the GCC become an accreditation requirement effective Jan. 1, 2026 would be up for approval as part of the Fall National Meeting Plenary session.

Matt Walker (Federal Reserve Board—FRB) spoke about the FRB's Building Block Approach (BBA), which is similar to the GCC in that it is an aggregated approach. Walker said the FRB is responsible for protecting Federal Deposit Insurance Corporation (FDIC)-reporting institutions and establishing a minimum capital standard for these companies. He said that partnership with state insurance regulators has been successful in avoiding duplication of efforts and that he is appreciative of the stakeholder input over the years as well. The BBA is helpful in considering the legal limits the FRB has under the federal Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). He concluded by saying that although the creation of the BBA has ended, the implementation phase has recently begun, and most of the rule will begin to go into effect.

Commissioner Anderson thanked Walker and lauded the cooperation between the FRB and state insurance regulators on these topics. He also thanked the other speakers for their respective updates.

### 3. Heard an Update on Activities of the IAIS

Commissioner Anderson gave an update on IAIS activities, beginning with a review of the IAIS committee meetings, Annual General Meeting, and Annual Conference that took place in Tokyo, Japan, in November. He highlighted various panel discussions that NAIC Members participated in as part of the conference.

Commissioner Anderson reported that due to time constraints, the update on recent IAIS activities would be circulated via email to the Committee. This update covered several topics, such as recent publications, including:1)

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a report published on the role of insurance supervisors in addressing natural catastrophe protection gaps; 2) releasing for public consultations draft application papers on climate risk market conduct issues and scenario analysis in the insurance sector; 3) finalizing the soon-to-be-published 2023 Global Insurance Market Report (GIMAR) that provides results this year's Global Monitoring Exercise (GME); and 4) approving an updated stakeholder engagement and consultation policy, which was updated to better facilitate transparency and to reflect actual process and diversity and inclusion considerations.

Regarding the Insurance Capital Standard (ICS), in September, the IAIS received responses to a public consultation on a candidate version of the ICS that is being considered for adoption as a prescribed capital requirement for internationally active insurance groups (IAIGs). This consultation also solicited input from stakeholders to support an economic impact assessment of the ICS.

Regarding the Aggregation Method (AM), in October, the IAIS began its assessment of whether the AM provides comparable outcomes to the ICS. To help provide more detailed information on, and better understanding of, the AM beyond what is already available, a document describing the provisional AM for use in the comparability assessment was released in September and is available on the NAIC website. The final decision on comparability will be made in the fourth quarter of 2024.

The IAIS has undertaken a progress monitoring exercise this year as a follow-up to last year's Financial Stability Board (FSB) endorsement of the holistic framework for systemic risk in the insurance sector. The IAIS will be embarking on a second targeted jurisdiction assessment (TJA) round involving new jurisdictions to gain a broader understanding of implementation of the holistic framework. The outcome from this second TJA will feed into further reporting to the FSB in 2025.

The peer review of Insurance Core Principle (ICP) 16, Enterprise Risk Management for Solvency Purposes, is underway. This voluntary assessment, part of the IAIS peer review process (PRP), is open to all IAIS members and gives jurisdictions an opportunity to see how they are observing particular standards. As with prior PRPs, a handful of states are participating to provide a sample of U.S. observance.

The IAIS held an assessors boot camp in Basel, Switzerland, in October to train interested members on how to serve on an assessment team for various IAIS assessment activities. Over three days, 30 IAIS members—including three state insurance regulators from Nebraska, New York, and Virginia—learned about all phases of IAIS assessments and how to apply their supervisory skills to draft assessment questionnaires, conduct off-site and on-site reviews, and draft assessment reports.

The IAIS is continuing its work in various forums. The FinTech Forum met in September and received updates from its subgroups. The artificial intelligence (AI) and machine learning (ML) subgroup reported on its thematic review of AI and ML in the insurance sector and potential areas for future work. The FinTech Forum also discussed jurisdictional updates on recent FinTech developments affecting the insurance sector and insurance supervisors, including supervisory responses to the use of ChatGPT and different approaches adopted to monitor and address FinTech developments in member jurisdictions. Additionally, the Financial Inclusion Forum (FIF) met in September and is updating a 2012 IAIS application paper on regulation and supervision supporting inclusive insurance markets, including the addition of up-to-date case studies.

On diversity, equity, and inclusion (DE&I), the IAIS is working on two application papers on the topic within its Governance Working Group and Market Conduct Working Group. Both papers are expected to be released for

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public consultation in the first quarter of 2024. Also, the IAIS will be holding a member-only webinar on DE&I in the insurance sector on Dec. 13. Supervisors, including from California and Rhode Island, will be sharing recent practices and developments in their jurisdictions regarding activities to promote DE&I in the insurance sector.

### 4. Heard an Update on International Activities

#### A. International Activities

Director Dunning reported on recent bilateral discussions that were held on the sidelines of the IAIS Tokyo meetings between NAIC representatives and international counterparts, which helped facilitate ongoing relationship building and discussions on common themes of importance. This included bilateral meetings with the following: the Association of Latin American Insurance Supervisors (ASSAL); Australia; Canada; Hong Kong; India; Japan; Singapore; South Africa; South Korea; Taiwan; Thailand; and Vietnam.

Director Dunning spotlighted the NAIC's International Fellows Program, which recently concluded its Fall 2023 session. He reported that eight fellows were welcomed to the U.S. from five jurisdictions: Brazil, Poland, Saudi Arabia, Taiwan, and Thailand. He thanked Connecticut, Iowa, Louisiana, Maryland, Ohio, Virginia, and Washington, DC, for hosting the fellows over five weeks and providing them the opportunity to immerse themselves in the state-based system of insurance regulation in the U.S.

Next, Director Dunning reported on NAIC participation in recent international events, including:

- The 8th Conference on Global Insurance Supervision, sponsored by the European Insurance and Occupational Pensions Authority (EIOPA), the International Center for Insurance Regulation (ICIR), and the Leibniz Research Institute in Frankfurt, Germany, on Sept. 6. Director Dunning, Director Chlora Lindley-Myers (MO), and Rachel M. Davison (Massachusetts) provided the U.S. perspective on risk-based capital (RBC) regimes and innovation.
- The Association of Bermuda Insurers and Reinsurers' (ABIR) 16th Annual International Insurance Regulatory Dialogue in Brussels on Sept. 8–9. Director Dunning, Director Lindley-Myers, and Davison took part in panel discussions highlighting recent regulatory updates in the U.S., including changes to the GCC and supervisors' efforts on the NAIC's Climate and Resiliency (EX) Task Force, the NAIC's ongoing work on cross-border reinsurance, and DE&I. Following the ABIR dialogue, NAIC representatives met with counterparts from the Bermuda Monetary Authority (BMA) to provide updates on topics, including on climate risk and resiliency, the use of technology by insurance supervisors, and private equity (PE) ownership. The BMA representatives also provided an overview of proposed changes to the Bermuda regulatory regime.
- The Eurofi Financial Forum in Santiago de Compostela, Spain on Sept. 15. Director Cameron discussed the NAIC's ongoing work on climate risk and resiliency, particularly its efforts to close existing protection gaps.
- The Taiwan Insurance Institute and Taiwan Insurance Guaranty Fund Enterprise Risk Management (ERM) Forum on Oct. 3. Director Lindley-Myers virtually provided keynote remarks highlighting state supervisors' work on closing protection gaps.

#### B. OECD

Director Dunning reported that due to time constraints, the update on the Organisation for Economic Co-operation and Development (OECD) would be circulated via email to the Committee. This update covered the fact

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that the OECD has two upcoming events. First, the Insurance and Private Pensions Committee (IPPC) will meet Dec. 7–8 and in advance, on Dec. 6, there will be a roundtable on protection gaps, including a session on which Director Dunning will participate on creating an enabling environment to support the availability of affordable financial protection. Second, on Dec. 14–15, Commissioner Ito will be participating in a roundtable on leveraging technology for risk assessment and risk reduction in insurance.

### C. SIF

Director Dunning reported that due to time constraints, the update on the Sustainable Insurance Forum (SIF) would be circulated via email to the Committee. This update covered the fact that the SIF met in Tokyo alongside the IAIS meetings in November to discuss the work of its various working groups on: transition plans; capital and supervisory frameworks; and biodiversity and nature-related risks and further exploration thereof. The SIF's next meeting is expected to take place in the second quarter of 2024.

Commissioner Anderson thanked Commissioner Donelon for his long tenure at the NAIC, particularly his work at the International Insurance Relations (G) Committee over the course of many years.

Having no further business, the International Insurance Relations (G) Committee adjourned.

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