

DRAFT PENDING ADOPTION

Draft: 7/15/24

International Insurance Relations (G) Committee
Virtual Meeting
June 11, 2024

The International Insurance Relations (G) Committee met June 11, 2024. The following Committee members participated: Eric Dunning, Chair (NE); Dean L. Cameron, Co-Vice Chair (ID); Justin Zimmerman, Co-Vice Chair (NJ); Lori K. Wing-Heier (AK); Andrew N. Mais (CT); Michael Yaworsky represented by Ray Spudeck (FL); John F. King (GA); Kevin P. Beagan (MA); Anita G. Fox represented by Steve Mayhew (MI); Chlora Lindley-Myers (MO); Glen Mulready (OK); and Carter Lawrence (TN).

1. Discussed NAIC Comments on the Current IAIS Public Consultations

Director Cameron explained that the International Association of Insurance Supervisors (IAIS) is conducting public consultations on three different items. He said the proposed draft revisions to supervisory material related to the Holistic Framework for Systemic Risk in the Insurance Sector (Holistic Framework) in Insurance Core Principle (ICP) 12—*Exit from the Market and Resolution* and ICP 16—*Enterprise Risk Management for Solvency Purposes* stem from recommendations resulting from the IAIS’s targeted jurisdictional assessment of the Holistic Framework and other relevant developments.

On the proposed changes to reflect climate risk in selected ICP guidance and supporting material, Director Cameron noted that this consultation focuses on ICP 15—*Investments* and ICP 16 and is the third in a series of climate risk-focused document consultations. He said the IAIS plans to carry out an additional consultation on climate risk-related material later this year.

Regarding the draft application paper on considering diversity, equity, and inclusion (DE&I) from a governance, risk management, and corporate culture perspective, Director Cameron explained that the paper was drafted by the IAIS Governance Working Group and highlights the significance of DE&I and illustrates practical considerations for it in the context of ICP 7—*Corporate Governance* and ICP 8—*Risk Management and Internal Controls*.

Director Cameron said the NAIC’s initial draft comments are based on an internal review of the consultation documents by NAIC staff and comments from members of various NAIC groups. For the Holistic Framework, this was the Receivership and Insolvency (E) Task Force and the Group Solvency Issues (E) Working Group; for the Climate Risk Supervisory Guidance, this was the Climate and Resiliency (EX) Task Force; and for the DE&I Governance application paper, this was the Special (EX) Committee on Race and Insurance.

Ryan Workman (NAIC) provided an overview of the NAIC’s comments on the consultation documents, noting that some were minor and editorial. For the Holistic Framework consultation, he emphasized that the NAIC is not in favor of possibly introducing a requirement or presumption that resolution plans are required to be in place for all internationally active insurance groups. Workman also noted that other comments focused on clarifying wording for the sake of consistency.

On the climate risk consultation, Workman explained that the comments focused on stressing the need for editorial consistency, with a review of the use of “should” and “may” throughout. Commissioner King said he appreciated the comment on how the wording should provide flexibility, as it shows the suggestions described in the draft document are not intended to be overly prescriptive.

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Steve Broadie (American Property Casualty Insurance Association—APCIA) noted in some of the proposed changes and in the draft guidance, the language is close to supporting the concept of double materiality. He noted that this suggests that supervisors are being given authority beyond their purview, becoming societal decision-makers in addition to their role as insurance supervisors. Broadie added that the APCIA intends to submit comments to the IAIS as part of the public consultation process and asked for the NAIC's consideration of those comments once available.

Workman then gave a review of draft comments on the DEI Governance application paper. He explained the suggestion to add legal and privacy language surrounding the collection of data in order to recognize jurisdictional differences. He said the concept of groupthink needs further clarification, and the U.S.-focused example needs to be more factually accurate. Lastly, there was a comment asking for clarification on the language on environmental, social, and governance (ESG) ratings, emphasizing that the applicability of the concept should only be in areas where the ratings are utilized or required.

Director Wing-Heier made a motion, seconded by Commissioner Mais, to approve the submission of the NAIC comments (Attachment A, Attachment B, and Attachment C). The motion passed unanimously.

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

NAIC Support Staff Hub/Committees/G CMTE/National Meetings/2024 ...

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Draft: 3/27/24

International Insurance Relations (G) Committee
Phoenix, Arizona
March 16, 2024

The International Insurance Relations (G) Committee met in Phoenix, AZ, March 16, 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 (CT); Michael Yaworsky represented by Kevin Jacobs (FL); John F. King (GA); Dana Popish Severinghaus (IL); Vicki Schmidt (KS); Anita G. Fox (MI); Glen Mulready (OK); and Carter Lawrence (TN).

1. Adopted its Feb. 15, 2024, and 2023 Fall National Meeting Minutes

The Committee met Feb. 15 and discussed NAIC comments on the International Association of Insurance Supervisors (IAIS) public consultations on climate risk supervisory guidance for both market conduct issues and risk scenario analysis.

Director Fox made a motion, seconded by Director Dunning, to adopt the Committee's Feb. 15, 2024 (Attachment One) and Dec. 1, 2023 (*see NAIC Proceedings – Fall 2023, International Insurance Relations (G) Committee*) minutes. The motion passed unanimously.

2. Heard an Update on International Activities on Insurer Investments

Commissioner Anderson explained how the area of insurer investing has become an area of focus both internationally and domestically. He noted the topic as one of the macroprudential themes in the 2023 IAIS Global Insurance Market Report and that the NAIC has ongoing work on its *13 Regulatory Considerations Applicable (But Not Exclusive) to Private Equity (PE) Owned Insurers*.

Peter Windsor (International Monetary Fund—IMF) presented to the group on an IMF Global Financial Stability Note (GFSN) released in December 2023 on *Private Equity and Life Insurers*. He outlined the key themes of the paper, including the growth of PE since the global financial crisis, private credit, the growth of PE-influenced reinsurers, and specific policy considerations for supervisors.

Director Dunning asked Windsor if there are certain policy considerations supervisors should prioritize amongst those listed in the IMF report. Windsor said the valuation of the assets is an issue that requires close consideration and could immediately be elevated for consideration by supervisors.

Ricardo Garcia (Bermuda Monetary Authority—BMA) provided a review of a recent paper released by the BMA, *Supervision and Regulation of Private Equity Insurers*, about the regulatory powers of the BMA and its interactions with supervisory colleges. In his remarks, Garcia highlighted six specific challenges that are normally associated with insurers and their activities in the PE space: 1) the structure of cross-border reinsurance transactions; 2) arms-length transactions and conflicts of interest; 3) illiquid assets and affiliated assets; 4) lapse risks and exposure to liquid assets; 5) evaluation of technical provisions; and 6) whether cross border insurance is being used to explore regulatory differences between jurisdictions. Garcia concluded his remarks by saying the Bermuda regime continues to provide an equivalent level of policyholder protection to the European and U.S. regimes.

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Director Cameron asked Garcia about the reaction to the BMA's supervisory enhancements. Garcia said the reaction from the market and the supervisory community has been positive. Highlighting the robust consultation process, he noted the market understands the need to do enhancements, and one of the main reasons reinsurers set up in Bermuda is due to the longstanding credibility of its regime and its mutual recognition by regimes in Europe and the U.S. Likewise, there is understanding amongst the supervisory community due to consistent bilateral engagement carried out by the BMA. He also added there have been some negative reactions from industry players not willing to put the time and investment into complying with the new requirements and limited instances where companies may seek new jurisdictions instead.

Commissioner Anderson thanked Windsor and Garcia for their presentations and noted that the global insurance marketplace is made better because of the cooperation, understanding, and appreciation for the differences within respective markets.

3. Heard an Update on Activities of the IAIS

Commissioner Anderson gave an update on IAIS activities, beginning with a review of recent committee meetings that took place virtually in March.

Regarding the insurance capital standard (ICS) and the aggregation method (AM), the IAIS is continuing the comparability assessment that began in October 2023, and the ICS Task Force has met a few times to review and discuss the analysis of the IAIS Secretariat's assessment team. Commissioner Anderson thanked the assessment team for the work done thus far and noted an interim report was discussed during the virtual committee meetings, with a final decision on comparability to be made in the fourth quarter of 2024. He also voiced appreciation for the volunteer companies that provide data and the group-wide supervisors involved.

Next, Commissioner Anderson reported that the IAIS continues to work on a second targeted jurisdiction assessment (TJA) round involving new jurisdictions to gain a broader understanding of the implementation of the holistic framework. The second round involves six new jurisdictions, and the outcome will feed into further reporting to the Financial Stability Board (FSB) in 2025. He noted the U.S. was part of the first TJA, so it is not being assessed in this round; however, two state insurance regulators—Bob Wake (ME) and Dan Bumpus (VA)—will participate on the TJA assessment team.

Commissioner Anderson explained that 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 ICP 16 PRP team is in the process of drafting reports for the 67 IAIS member responses, which will be shared with those members for feedback. Following that, the team will turn to drafting an aggregate report, which will be published on the IAIS website once finalized at the end of this year.

Next, Commissioner Anderson reviewed IAIS work on climate risk. He noted the IAIS has organized the various work into a number of planned public consultations. Package 2 was published in the fourth quarter of 2023, which included supporting material covering greenwashing and other market conduct issues (related to ICPs 19 [Conduct of Business] and 21 [Countering Fraud in Insurance]) and climate scenario analysis considerations (related to ICPs 16 and 24 [Macprudential Supervision]). That consultation closed Feb. 23, 2024, and the relevant IAIS groups

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have begun work to review the comments received. Commissioner Anderson said Package 3 is expected to be released for public consultation soon and covers climate-related additions to the guidance in ICPs 15 (Investments) and 16 and supporting material covering ICPs 7 (Corporate Governance), 8 (Risk Management and Internal Controls), 14 (Valuation), 15, and 16. Finally, Package 4, which covers public disclosure and supervisory reporting, is expected to be published for consultation later this summer.

Commissioner Birrane reviewed the work being carried out at the IAIS Supervisory Forum. She highlighted upcoming meetings, including one on June 21, 2024, in Basel, Switzerland, which will include education from the IAIS FinTech Forum and a discussion on the creation of the SupTech Subgroup.

4. Heard an Update on International Activities

A. International Activities

Director Dunning reported on recent bilateral discussions held during the initial months of Commissioner Mais' time as NAIC President. These brief meetings focused on relationship building and reporting on the NAIC's 2024 regulatory priorities, including bilateral outreach with the following: Australia, Bermuda, Canada, Hong Kong, Japan, Singapore, Switzerland, Taiwan, Thailand, and the United Kingdom (UK). Planned outreach with China is currently being rescheduled.

Director Dunning reviewed the three workstreams of the EU-U.S. Insurance Dialogue Project: 1) Climate Risk and Financial Oversight; 2) Climate Risk and Resilience; and 3) Innovation and Technology. He said work continues on their respective mandates, and NAIC representatives continue to incorporate relevant work being carried out at the domestic level.

Director Dunning spotlighted the NAIC's International Fellows Program, noting the virtual spring 2024 program will be extended to two weeks. He reminded Committee members of their ability to participate in the fall 2024 program by hosting a fellow at their respective departments of insurance (DOIs).

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

- The Eurofi High Level Seminar in Ghent, Belgium, Feb. 21–23, 2024. Commissioner Anderson participated in a panel titled “Challenges Facing Insurers” and provided a snapshot of the U.S. insurance sector, noting its strength during the challenging macroeconomic backdrop and how state insurance supervisors are responding to an evolving insurance industry. He also discussed ongoing work at the IAIS focused on the comparability assessment of the AM and ICS.
- The Bermuda Risk Summit in Bermuda March 13–15, 2024. Commissioner Mais and Director Dwyer spoke on a panel titled “Market View: Global Regulators.” Additionally, Commissioner Lara spoke on a panel titled “Adapting to a Changing Landscape,” and Commissioner Yaworsky spoke on a panel on Florida reforms.

B. OECD

Director Cameron reported on recent activity at the Organisation for Economic Co-operation and Development (OECD). First, the Insurance and Private Pensions Committee (IPPC) met Dec. 6–8, 2023. During this meeting, Director Dunning participated in a roundtable and presented NAIC efforts to address protection gaps in the U.S.,

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highlighting four key areas: 1) climate financial risk analysis; 2) the availability and affordability of insurance; 3) stakeholder risk awareness and engagement; and 4) advocacy for resiliency and mitigation efforts to reduce the risk of property loss. Second, on Dec. 14–15, 2023, Commissioner Ito participated in a roundtable organized jointly by the OECD and the Indonesian Financial Services Authority on leveraging technology for risk assessment and risk reduction in insurance. He discussed NAIC and state insurance supervisors' efforts related to addressing the use of artificial intelligence (AI), highlighting topics such as ongoing surveys on the use of AI, the recently approved NAIC *Model Bulletin on the Use of Algorithms, Predictive Models, and Artificial Intelligence Systems by Insurers*, development of privacy protection rules, and the use of supotech.

C. SIF

Director Cameron reported on the Sustainable Insurance Forum (SIF) and its work plan for 2024. Various SIF workstreams are being undertaken by its Transition Plans Working Group and its Capital and Supervisory Framework Working Group. He said the SIF is further exploring the topic of biodiversity and nature-related risk to build on the 2021 SIF Scoping Study: *Nature-related Risks in the Global Insurance Sector*. The SIF's next meeting is expected to take place in June.

Commissioner Lara suggested that the NAIC reach out to the OECD to consider working on wildfires, which is a topic of mutual interest.

5. Discussed Other Matters

Commissioner Anderson promoted the upcoming NAIC International Insurance Forum scheduled for May 16–17, 2024, in Washington, DC. Maurice Maloney (NAIC) provided an overview of featured speakers and panel discussions that are set to take place at the forum. He also noted that at the time of the meeting, registration had reached 70% capacity.

Finally, Director Dunning noted appreciation for Commissioner Anderson's years serving as the Committee's chair and wished him well with his upcoming new role as chief executive officer (CEO) of the NAIC.

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

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