

DRAFT PENDING ADOPTION

Draft: 10/2/23

International Insurance Relations (G) Committee
Virtual Meeting
September 14, 2023

The International Insurance Relations (G) Committee met Sept. 14, 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 Ope Oyewole (CA); Andrew N. Mais represented by William Arfanis (CT); Gordon I. Ito (HI); Doug Ommen represented by Kim Cross (IA); Dana Popish Severinghaus (IL); Vicki Schmidt (KS); Anita G. Fox (MI); and Troy Downing (MT).

1. Discussed NAIC Comments on the IAIS Public Consultations on Draft Revised ICP 14 (Valuation) and ICP 17 (Capital Adequacy)

Commissioner Anderson explained that the International Association of Insurance Supervisors (IAIS) is conducting a public consultation on the revised Insurance Core Principle (ICP) 14 (Valuation) and ICP 17 (Capital Adequacy). He noted that the ICPs were revised by the IAIS's Capital, Solvency, and Field Testing Working Group and Accounting and Auditing Working Group. He also noted that ICP 14 covers supervisory requirements for the valuation of assets and liabilities for solvency purposes, while ICP 17 addresses regulatory capital resources and requirements. He explained that the two ICPs were not included in the larger ICP update and revision process that concluded in 2019, as work on the insurance capital standard was still ongoing at that time.

Commissioner Anderson said the NAIC's initial draft comments are based on an internal review of the revisions and a review completed by members of the NAIC's Statutory Accounting Principles (E) Working Group for ICP 14 and the Group Solvency Issues (E) Working Group for ICP 17. Those initial comments, as well as input that was received from an interested state insurance regulator, were circulated in advance of the call.

Ryan Workman (NAIC) provided an overview of the NAIC's comments on ICP 14 and ICP 17, noting that some were minor and editorial. More substantive comments addressed areas where clarification or consistency would be helpful.

Director Popish Severinghaus made a motion, seconded by Director Wing-Heier, to approve the submission of the NAIC comments on the draft revised ICP 14 and ICP 17 (Attachment A). The motion passed unanimously.

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

G Cmte Minutes 091423

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Draft: 8/22/23

International Insurance Relations (G) Committee
Seattle, Washington
August 13, 2023

The International Insurance Relations (G) Committee met in Seattle, WA, Aug. 13, 2023. The following Committee members participated: Gary D. Anderson, Chair (MA); Eric Dunning, Vice Chair (NE); Lori K. Wing-Heier (AK); Ricardo Lara (CA); Andrew N. Mais (CT); Gordon I. Ito (HI); Doug Ommen (IA); Dean L. Cameron (ID); Dana Popish Severinghaus (IL); Vicki Schmidt represented by Chut Tee (KS); James J. Donelon represented by Adam Patrick (LA); Kathleen A. Birrane (MD); Anita G. Fox (MI); and Justin Zimmerman (NJ).

1. Adopted its April 13 and Spring National Meeting Minutes

The Committee met April 13 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 (PPSs).

Commissioner Mais made a motion, seconded by Director Popish Severinghaus, to adopt the Committee's April 13 (Attachment One) and March 22 (*see NAIC Proceedings – Spring 2023, International Insurance Relations (G) Committee*) minutes. The motion passed unanimously.

2. Heard an Update on International Insurance Developments and Activities in Canada

Commissioner Anderson spotlighted international cooperation on insurance-related matters between the U.S. and Canada. He noted Canadian insurance regulators as strong partners with the NAIC at the IAIS and assisting in advancing North American interests on the global stage.

Jacqueline Friedland (Government of Canada's Office of the Superintendent of Financial Institutions—OSFI) gave an update on international insurance developments and activities in Canada. She explained her role at the OSFI in frontline supervision and her actuarial background, noting that she is in charge of 250 supervisors that have oversight responsibilities of banks, insurers, and private pension plans.

Friedland spoke on the recent implementation of International Financial Reporting Standard (IFRS) 17, which is paramount to the OSFI's 2023 initiatives. While the implementation was not perfect and took longer for some to produce and analyze the results, she noted that only a few of the reporting insurers missed the deadline. She also noted that there were no significant surprises thus far, and not all Canadian insurers operate under federal regulation.

Friedland outlined shared priorities between Canada and the U.S., including looking into analyzing market volatility, and she provided the example of new mandatory stress testing for all Canadian insurers that is focused on inflation. On climate risk, she emphasized a focus on differing risks for each line of insurance and the implications on reinsurance, including availability and affordability.

On the topic of the OSFI's mandate, Friedland spoke to new changes, including expanding powers and enhancements to the broad oversight of banks and securities. Banks and insurers will need to have and adhere to

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policies and procedures that bring integrity to their security. The OSFI's examination of these results will be directly reported to the Canadian Minister of Finance.

Lastly, Friedland noted that investments are being made in the area of flood insurance coverage as part of a large budget bill that passed earlier this year. On auto rate freezes in Ottawa, she noted her strong opinion for adequate insurance rates and highlighted the OSFI's prudential mandate of ensuring consumer protection.

Commissioner Anderson highlighted the ongoing bilateral partnership between the NAIC and the OSFI, and he complimented their ongoing work at the global level on insurance matters.

3. Heard an Update on Activities of the IAIS

Commissioner Anderson gave an update on IAIS activities and its key 2023 projects and priorities. He began with a review of the IAIS committee meetings and Global Seminar that was hosted by the NAIC and took place in June in Seattle, WA. He began by thanking commissioners and state insurance regulators from the following states that participated: Alaska, California, Connecticut, Idaho, Illinois, Iowa, Nebraska, North Dakota, Maryland, Massachusetts, Michigan, Missouri, Oregon, Rhode Island, South Dakota, Virginia, and Washington.

Commissioner Anderson provided an update on the implementation and assessment activities at the IAIS. On the Targeted Jurisdictional Assessment (TJA) progress monitoring, he noted that this project is underway and will culminate in a report at the end of the year that will be delivered to the Financial Stability Board (FSB). He extended a thank you to New York, New Jersey, and Connecticut for their continued contribution to the project.

Next, Commissioner Anderson gave a brief update on the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), saying work is underway to develop the scope and thematic focus of a forthcoming implementation assessment. This assessment is scheduled to launch later this year.

On the Peer Review Process (PRP) of Insurance Core Principle (ICP) 16 Enterprise Risk Management for Solvency Purposes, Commissioner Anderson noted that this voluntary assessment will begin this fall, which is open to all IAIS members and gives member jurisdictions an opportunity to see how they are observing particular standards. He thanked Susan Berry (IL) for serving on the ICP 16 PRP expert team.

Commissioner Anderson highlighted some of the ongoing work being undertaken by forums and other groups within the IAIS, including:

- The FinTech Forum (FTF) that is continuing its discussions on its artificial intelligence (AI)/machine learning (ML) model risk management thematic review and supervisory responses to the use of ChatGPT and the different approaches adopted to monitor and address such FinTech developments in member jurisdictions. Commissioner Anderson highlighted a recent seminar in June in Basel, Switzerland on the use of innovative technology in financial supervision and thanked the NAIC's FTF member, Rachel Davison (MA), for participating on a panel on Suptech use cases in insurance supervision.
- The Climate Risk Steering Group's public consultation that covers the addition of new text to the IAIS ICPs introduction, work related to climate risk and governance, and the IAIS's plans to address climate more broadly. The group continues to discuss initial observations on the public consultation feedback and draft application paper material on climate-related market conduct considerations and climate scenario analysis, which are scheduled for public consultation by year-end 2023.

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On the ICS, Commissioner Anderson said the IAIS has released a public consultation on a “candidate” version of the ICS ahead of its adoption as a Prescribed Capital Requirement for Internationally Active Insurance Groups in late 2024. This consultation also solicits input from stakeholders to support an economic impact assessment of the ICS. He mentioned that the IAIS is entering the fourth year of the five-year monitoring period for the ICS, and specifications for both the ICS and Aggregation Method (AM) data collections will be released at the end of April, with data due to the IAIS by Aug. 31.

To help provide more detailed information about the AM beyond what is already available, the U.S. IAIS members committed to producing a document describing the Provisional AM that is being used in the comparability assessment before the process begins (Attachment Two). Ned Tyrrell (NAIC) gave an overview of the draft document, explaining how it gathers existing AM documentation and communications into one authoritative spot and includes additional narrative context on how the AM will be used in the comparability assessment. He provided a summary of each of the sections of the document, including AM Principles, the Provisional AM, Scalars, and Finalization. Stakeholders were invited to provide any feedback by Sept. 1 for consideration for a final version of the document that will be provided to the IAIS in September.

Tom Finnell (American Property Casualty Insurance Association—APCIA) inquired about the deadline to produce comments on the AM document, noting IAIS public consultations with similar deadlines. Tyrrell responded that an extension would be difficult, given the need to have this document available within the IAIS timeline for the comparability assessment, and he reiterated that much of the document is based on existing material on the AM rather than being brand new. He cited the material on scalars and financial instruments as areas that may be of particular interest to stakeholders.

4. Heard an Update on International Activities

A. International Activities

Director Dunning reported on recent regional supervisory cooperation activities, starting with the European Union (EU)-U.S. Insurance Dialogue Project's public stakeholder event on June 16 in Seattle, WA. He noted that the project has been working within three working groups this year: 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, adaptation efforts, and modeling; and 3) innovation and technology, including big data, AI, and supervisory technology as a regulatory tool.

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

- The Asociación de Supervisores de Seguros de América Latina (ASSAL) Annual Conference in San Jose, Costa Rica in early May, where Director Lindley-Myers, Commissioner Lara, and Commissioner Vega participated on a variety of panels, including ones addressing cybersecurity and climate. The NAIC held a bilateral meeting on the sidelines of the ASSAL Annual Conference, providing updates on a variety of its initiatives, including data privacy; climate resiliency; and diversity, equity, and inclusion (DE&I). The NAIC also discussed continuing opportunities for cooperation and collaboration with the ASSAL and its members.

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- A joint Organisation for Economic Co-operation and Development (OECD) and Asian Development Bank Institute (ADBI) Roundtable on Insurance and Retirement Savings in Asia, where Superintendent Dwyer participated on two panels on insurance in a changing climate.
- The Bermuda Climate Summit 2023 held in June, where Commissioner Lara and Director Lindley-Myers addressed the future of the NAIC's Climate and Resiliency (EX) Task Force and highlighted consumer protection issues associated with the National Flood Insurance Program (NFIP) in a discussion panel.
- Keynote remarks by Director Lindley-Myers delivered virtually to the Taiwan Insurance Institute's (TII's) East Asia Pacific Insurance Forum 2023. She spoke on the NAIC and state insurance supervisors' work on embracing and incorporating new technology into regulation to encourage and improve the economic resiliency of the insurance industry and highlighted the NAIC's *State Ahead* strategic work plan.

Director Dunning then spoke to bilateral meetings that have taken place recently, including on the sidelines of the IAIS meetings in Seattle, WA, in June, where the NAIC held 11 bilateral meetings, the primary focus of which was on relationship building, especially among some individual EU member states. He said during these bilateral meetings, the NAIC addressed current strategic priorities and activities, including consumer protection, technology, and climate, and it touched on general macroeconomic issues, such as inflation.

Patrick Reeder (American Council of Life Insurers—ACLI) commented that the ACLI was encouraged by reports on recent bilateral engagements and said the NAIC is a great partner with other countries in developing their insurance frameworks. He noted that members are hearing from host regulators in many countries about their willingness to work with the NAIC, and there is a space to assist U.S. companies in their interactions with regulators overseas. He concluded his remarks by emphasizing how industry can be a resource when discussing prudential issues, and he welcomes the opportunity to participate as a resource and facilitator.

Karalee Morell (Reinsurance Association of America—RAA) agreed with Reeder's comments and emphasized that regulator-to-regulator dialogues are important for creating a level playing field, and she encouraged more engagement by state insurance regulators.

Dave Snyder (APCIA) added that some dialogues in the past involved trade negotiators, regulators, and industry, noting that having the key players at the table can help address regulatory issues on both sides and tackle regulatory issues that serve as barriers to international trade. He requested that these types of meetings be reestablished in critical markets, such as India. He then complimented the NAIC for its OECD participation, highlighting Director Dunning's remarks at the June meeting. He concluded by saying that a prioritization of how best to address fundamental regulatory conditions, and to do so in a coordinated manner, would be a strong way of combatting challenges coming from technology, macroeconomic conditions, the war in Ukraine, and supply chain disruptions.

Commissioner Anderson thanked Reeder, Morell, and Snyder for their constructive comments on the NAIC's bilateral relationships and activities, noting that industry's feedback on work such as this gives state insurance regulators some perspective as to where we should put our bilateral efforts.

B. OECD

Director Dunning reported on a variety of topics at the OECD that have progressed since the Spring National Meeting, including enhancing the contribution of insurance climate adaption, as well as digitalization to encourage policyholder risk reduction. He highlighted a roundtable discussion on June 26–27 in Paris, France, where he spoke

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on the NAIC's work overseeing and regulating insurer's use of AI and ML. He reported that during the Insurance and Private Pensions Committee portion of the meeting, members discussed several OECD documents and reports, which are expected to be released soon, including a revised recommendation on disaster risk financing.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/G CMTE/National Meetings/2023/Seattle-Summer National Meeting

Draft: 11/21/23

Adopted by the Executive (EX) Committee and Plenary, Dec. __, 2023

Adopted by the International Insurance Relations (G) Committee, Dec. __, 2023

INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE

The mission of the International Insurance Relations (G) Committee is to: 1) coordinate NAIC participation in ~~international~~ discussions on international activities and issues and the development of insurance regulatory and supervisory standards and other materials; 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), and the Sustainable Insurance Forum (SIF), 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 outreach, 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