

Draft Pending Adoption

Draft: 1/26/22

International Insurance Relations (G) Committee
Virtual Meeting
January 18, 2022

The International Insurance Relations (G) Committee met Jan. 18, 2022. The following Committee members participated: Gary D. Anderson, Chair (MA); Raymond G. Farmer, Vice Chair (SC); Evan G. Daniels represented by Scott Persten (AZ); Andrew N. Mais (CT); Karima M. Woods (DC); David Altmaier (FL); Doug Ommen (IA); James J. Donelon (LA); Kathleen A. Birrane (MD); Anita G. Fox represented by Steve Mayhew (MI); Chlora Lindley-Myers (MO); Eric Dunning represented by Jill Gleason (NE); Marlene Caride (NJ); Andrew R. Stolfi represented by TK Keen (OR); and Jessica K. Altman (PA).

1. Discussed NAIC Comments on the IAIS Public Consultation on the Development of Liquidity Metrics: Phase 2

Commissioner Anderson explained that the International Association of Insurance Supervisors (IAIS) Public Consultation on the Development of Liquidity Metrics: Phase 2 will serve as a tool to facilitate the IAIS's monitoring of the global insurance industry's liquidity risk. He noted that it will allow the IAIS to assess insurers' liquidity exposure, which may be critical, as insurers have been exposed to liquidity shortfalls in previous crises.

Tim Nauheimer (NAIC) gave an overview of the NAIC's comments on the public consultation, noting that since the NAIC was part of the initial drafting group within the IAIS, the comments address a few questions rather than respond to the full list. He explained that the NAIC's comments serve as a general statement of support for this phase of the work. On the topic of additional metrics to be considered, he said while exploring the option of additional liquidity metrics is important for the IAIS to consider, a separate publication on this is too premature at this stage. In terms of a preference for a single or a set of metrics for liquidity risk monitoring purposes, he noted that the NAIC prefers the company projection approach (CPA), but it is not opposed to other types of metrics that fit with other jurisdictions' systems.

Steve Broadie (American Property Casualty Insurance Association—APCIA) spoke about the APCIA's general comments on the consultation document, and he said the comments are still being finalized. He highlighted that property/casualty (P/C) insurers generally pose limited, if any, liquidity risk, and to the extent that there is some risk, it is not of systemic importance. Thus, the APCIA's comments will urge the IAIS to use this for the purposes of macroprudential surveillance only, and jurisdictions should not use these metrics for the supervision of groups or companies at this point. Mr. Broadie noted that an aggregate basis of results released on an anonymized basis should be the approach taken by the IAIS. Mr. Nauheimer said the NAIC generally agrees with these points and that any data published by the IAIS would be anonymized.

Robert Neill (American Council of Life Insurers—ACLI) said the ACLI is also finalizing its comments on the public consultation for submission to the IAIS. He noted that the ACLI will encourage the IAIS to establish an approach that leverages the results of jurisdictional level analysis, such as the NAIC's liquidity stress test (LST) framework, rather than make additional data requests on the industry. He requested insight into further field-testing expectations, and he asked: 1) whether it would require additional information from U.S. firms beyond what is being provided for the NAIC's LST work; and 2) whether it would be driven by the IAIS or jurisdictional supervisors. Mr. Nauheimer noted that the IAIS would conduct the field testing, but the NAIC would leverage the data for domestic purposes for LST purposes to limit the burden on domestic reporting companies. In terms of timing, he

Draft Pending Adoption

said the calendar is not set but would most likely begin in mid-2022 after the IAIS global monitoring exercise data collection.

Director Farmer made a motion, seconded by Commissioner Caride, to approve submission of the NAIC comments on the draft Application Paper on Macroprudential Supervision (Attachment A).

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

[G Cmte Minutes 011822](#)

Draft Pending Adoption

Draft: 12/20/21

International Insurance Relations (G) Committee
San Diego, California
December 15, 2021

The International Insurance Relations (G) Committee met in San Diego, CA, Dec. 15, 2021. The following Committee members participated: Gary D. Anderson, Chair (MA); Raymond G. Farmer, Vice Chair (SC); Andrew N. Mais (CT); Karima M. Woods (DC); David Altmaier (FL); Doug Ommen (IA); James J. Donelon represented by Tom Travis (LA); Kathleen A. Birrane (MD); Anita G. Fox (MI); Chlora Lindley-Myers (MO); Eric Dunning (NE); Marlene Caride (NJ); Andrew R. Stolfi (OR); and Jessica K. Altman (PA).

1. Adopted its Summer National Meeting Minutes

Director Lindley-Myers made a motion, seconded by Director Fox, to adopt the Committee's August 16 (*see NAIC Proceedings – Summer 2021, International Insurance Relations (G) Committee*) minutes. The motion passed unanimously.

2. Adopted its 2022 Proposed Charges

Commissioner Anderson introduced the Committee's 2022 proposed charges, noting they are the same as those for 2021.

Commissioner Mais made a motion, seconded by Mr. Travis, to adopt the Committee's 2022 proposed charges (Attachment One). The motion passed unanimously.

3. Discussed International Efforts on Insurer Culture

Commissioner Anderson spotlighted the topic of insurer culture, noting that it is a topic just as important to the Committee as any other. He reported that last month, the International Association of Insurance Supervisors (IAIS) released its *Issues Paper on Insurer Culture* (Issues Paper), and it is a theme that will continue to be part of global regulatory discussions. He explained that the purpose of this agenda item was to hear more about work going on at the international level on insurer culture and to hear from an insurer on how it approaches culture.

Julien Reid (Autorité des Marchés Financiers (AMF) gave a review of the Issues Paper, as lead of the drafting team. He noted the Issues Paper explores the concept of insurer culture as a point of intersection for prudential and conduct risks, with examples to illustrate the broader role of culture in managing these risks. Mr. Reid addressed work being done or planning to be done as it relates to culture in Quebec and in Canada more broadly. He explained that conduct of business and customer issues are under the exclusive purview of the provinces in Canada. He also noted that the AMF worked within the topic of culture by issuing first governance guidelines in 2009 and conduct of business guidelines in 2006, which enhanced their supervision work related to culture as well. Lastly, he said that the AMF passed an insurers act that now requires a board member must embed corporate culture throughout their organization, and it provides regulatory action powers if companies do not comply accordingly.

Commissioner Anderson noted that like other jurisdictions, state insurance supervisors recognize the importance of an insurer's culture within their internal workings. Commissioner Anderson highlighted various insurer culture considerations found in the NAIC *Financial Analysis Handbook* and the *Financial Condition Examiners Handbook*.

Jon Richter (MetLife) and Cindy Pace (MetLife) presented on culture from MetLife's perspective. They highlighted how MetLife approaches culture, its importance to MetLife's workings, how to build and support high-functioning culture, and how the commitment to diversity, equity and inclusion (DE&I) fosters open dialogue and ensures high-functioning culture. Mr. Richter outlined the way culture is embedded in the workings of the organization's Risk, Audit, Governance, and Corporate Responsibility committees. Ms. Pace focused her remarks on why DE&I is pivotal to driving culture. She noted that MetLife has challenged itself to make a bold commitment to their employees and customers at Met Life as a positive step towards shaping their corporate culture.

Draft Pending Adoption

Director Farmer commented that issues of insurer culture are not a philosophical discussion, but goes to how regulators, insurers, and the industry at large treat customers and their employees. Director Fox asked about sustaining cultural discussions in the new hybrid work reality. Dr. Pace said values, vision, and a purpose are essential to accountability, regardless of whether an employee is present in an office or not. She mentioned that equity is a core tenant of an employee's decision of where they want to work, and that must be factored into corporate culture.

With respect to future international work on culture, Jonathon Dixon (IAIS) noted this as a key theme of the IAIS, and he highlighted a recently released statement on the importance of DE&I for the workings and mission of the IAIS. He noted that advancing this topic is not only important for a business imperative, but also it supports sound prudential and consumer outcomes and sustainability objectives.

4. Heard an Update on Key 2021 and 2022 Activities of the IAIS

Commissioner Anderson reported on recent IAIS activities, starting with an update on the development of criteria to assess whether the aggregation method (AM) provides comparable outcomes to the insurance capital standard (ICS). He noted the planned public consultation on draft comparability criteria will be launched in the first half of 2022.

Commissioner Anderson said another important area of work underway is the Global Monitoring Exercise (GME), which is an important component of the holistic framework for systemic risk. He added that the IAIS recently published its GME public report, which draws on data from approximately 60 of the largest international insurance groups and close to 40 insurance supervisors, covering more than 90% of global gross written premiums. The full GME has been completed for the first time as last year's focused on the impact of COVID-19.

Commissioner Anderson concluded the IAIS update with a review of three recently published papers, which were discussed during previous Committee meetings: 1) an *Issues Paper on Insurer Culture*; 2) a *Revised Application Paper on Supervisory Colleges*; and 3) a *Revised Application Paper on Combating Money Laundering and Terrorist Financing*.

5. Heard an Update on International Activities

a. Regional Supervisory Cooperation

Director Farmer reported that Director Dean L. Cameron (ID) participated virtually in the Taiwan Insurance Institute's Insurance and Economic Development Forum on Dec. 2, giving remarks on the "New Blue Ocean of the Insurance Industry After the Epidemic." Next, he noted Commissioner Altmaier and Director Cameron met with Bermuda Monetary Authority (BMA) senior staff while in Hamilton, Bermuda, to participate in the Association of Bermuda Insurers and Reinsurers (ABIR) roundtable webinar "Leveraging International Reinsurance to Address the Climate risk Protection Gap" and to meet with ABIR board members. The NAIC met with the Financial Services Agency (FSA) of Japan for a biannual bilateral dialogue on Nov. 30. The NAIC and the FSA discussed various topics and developments, including climate risk and resilience, liquidity stress testing (LST), innovation and technology, long-term care insurance (LTCI), and DE&I.

Director Farmer said the European Union (EU)-U.S. Insurance Dialogue Project (Project) held a public virtual webinar on Oct. 19 on its continued progress and future priorities, with representatives of the NAIC, including: Commissioner Birrane and Commissioner Ommen; the Federal Insurance Office (FIO) of the U.S. Department of the Treasury (Treasury Department); and the European Insurance and Occupational Pensions Authority (EIOPA). Summary reports of the work conducted by the Project's three working groups on cybersecurity, cyber insurance, and big data/artificial intelligence (AI) during 2020–2021 were published and are available on the NAIC website. He reported that going forward, the project will focus on three topics: 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, AI, and supervisory technology (Suptech) as a regulatory tool.

Director Farmer reported that the 2021 NAIC Fall International Fellows Program was held virtually Oct. 18–22, with more than 90 global regulators from more than 20 countries participating. He noted that beginning in 2022, the Fellows Program's spring sessions will be held virtually, while the Fall sessions will be held in person. He said that in an effort to plan ahead for

Draft Pending Adoption

the Fall 2022 Fellows Program scheduled to begin Oct. 10, 2022, any state interested in hosting a Fellow next fall should contact NAIC staff.

b. OECD

Director Farmer reported that the Organisation for Economic Co-operation and Development's (OECD's) Insurance and Private Pensions Committee (IPPC) met virtually Dec. 9–10 and covered updates on various workstreams underway at the IPPC. This included a roundtable on the role of the insurance sector in responding to climate change and featured speakers from international organizations including the Sustainable Insurance Forum (SIF), IAIS, and Net-Zero Insurance Alliance (NZIA). He noted that during the meeting, the NAIC provided a brief snapshot of the state of the insurance industry post-pandemic, potential challenges to those market sectors moving forward, and an update on the cyber insurance market.

c. SIF

Director Farmer said the NAIC, alongside individual state SIF members—California, New York, Vermont, and Washington—participated in a virtual meeting in October. The SIF discussed progress relative to the three workstreams agreed to in its work plan: 1) impacts of climate-related risks on insurability of assets; 2) broader sustainability issues beyond climate change; and 3) climate risks in the actuarial processes. He reported that Maryland recently also became a SIF member.

6. Discussed Other Matters

Commissioner Anderson reminded attendees about the NAIC's 2022 International Insurance Forum to be held in Washington DC, May 12–13, 2022. He also introduced new staff members to the NAIC's international relations team and thanked Ekrem Sarper as a former staff member for his years of work and dedication to the NAIC's international efforts and activities.

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

[G Cmte Minutes](#)