The International Insurance Relations (G) Committee met May 5, 2021. The following Committee members participated: Gary D. Anderson, Chair (MA); Raymond G. Farmer, Vice Chair (SC); Evan G. Daniels (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 (NE); Marlene Caride represented by Dave Wolf (NJ); Andrew R. Stolfi (OR); and Jessica K. Altman (PA).

1. Discussed NAIC Comments on the IAIS Draft Application Paper on Macroprudential Supervision

Commissioner Anderson explained that the International Association of Insurance Supervisors (IAIS) draft Application Paper on Macroprudential Supervision aims to assist supervisors with the practical application of supervisory material related to macroprudential supervision under Insurance Core Principle (ICP) 24, Macroprudential Surveillance and Insurance Supervision. He noted that as part of developing the holistic framework for systemic risk, ICP 24 was revised to better articulate the elements of macroprudential supervision and to address more explicitly the build-up and transmission of systemic risk at the individual insurer and sector-wide levels.

Ryan Workman (NAIC) gave an overview of the NAIC’s comments on the draft application paper, noting that most were editorial or for clarification. He provided more detail on those comments that were more substantial.

Steve Broadie (American Property Casualty Insurance Association—APCIA) noted APCIA’s general concerns on the draft paper, including an overemphasis on looking at whether individual insurers are systemically important, rather than focusing on an activities-based approach (ABA) to looking at systemic risk in the insurance sector. He suggested that the current recommendation of horizontal reviews of individual insurers’ Own Risk and Solvency Assessment (ORSA) reports should be taken out of the paper given that ORSA reports are not intended for such a purpose, as well as for confidentiality issues. Mr. Workman suggested that the focus on individual insurers may be a result of the IAIS having drawn from material related to the global systemically important insurer (G-SII) that took an entities-based approach (EBA), whereas the ABA is still being articulated.

David Leifer (American Council of Life Insurers—ACLI) spoke about similar concerns to the APCIA, noting that its comments to the IAIS will highlight the paper’s emphasis on an EBA instead of an ABA. He said the ACLI has concerns with Section 4.1.3, which describes a reduced form approach for identifying systemically important insurers. He noted the paper gives too much attention to the approach, which has not been properly vetted elsewhere and may not be appropriate for insurers. He said that the use of risk dashboards gets a lot of attention throughout the paper, but while it is a useful tool, it should not be overly relied upon. The ACLI’s comments will also focus on reigning in what it believes to be overly prescriptive language throughout the paper.

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

2. Discussed Other Matters

Commissioner Anderson provided an update on planning currently underway for the 2021 NAIC International Insurance Forum scheduled for May 25–26. He encouraged everyone to join the virtual event for the robust panel discussions and featured speaker presentations that are scheduled to take place over the course of the two days.

Mr. Broadie noted that the IAIS has recently sent out an invitation to a June 8 virtual stakeholder session on the insurance capital standard (ICS) and that the APCIA plans to participate and welcomes the opportunity to work with “Team USA” to prepare for the event. Mr. Workman said the stakeholder session is most likely to be an update on results from the 2020 monitoring period data collection and upcoming work.
Robert Neill (ACLI) noted that the IAIS put forth results of the comparability assessment public consultation, leaving in place the high-level principles that will be used to develop the assessment criteria later this year. He said the ACLI submitted comments and suggested having a conversation to better understand where regulators stand on the topic. Commissioner Anderson said he would be open to having a dialogue with interested parties along with federal colleagues involved at the IAIS, noting the Committee has had similar meetings in the past, which have been helpful as this work progresses.

Having no further business, the International Insurance Relations (G) Committee adjourned.
The International Insurance Relations (G) Committee met April 7, 2021. The following Committee members participated: Gary D. Anderson, Chair (MA); Bruce R. Ramge, Vice Chair (NE); Evan G. Daniels (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 (MI); Chlora Lindley-Myers (MO); Marlene Caride (NJ); Andrew R. Stolfi (OR); Jessica K. Altman (PA); and Raymond G. Farmer (SC).

1. **Adopted its March 25, 2021; Feb. 3, 2021; Jan. 6, 2021; and 2020 Fall National Meeting Minutes**

The Committee met March 25, 2021; Feb. 3, 2021; Jan. 6, 2021; and Dec. 9, 2020, and took the following action: 1) approved submission of NAIC comments on the International Association of Insurance Supervisors’ (IAIS) draft *Application Paper of Supervision of Control Functions, Application Paper of Resolution Powers and Planning*, and *Consultation on the Development of Liquidity Metrics*; 2) approved submission of NAIC comments on the joint Sustainable Insurance Forum (SIF) and IAIS draft *Application Paper on the Supervision of Climate-Related Risks in the Insurance Sector*; 3) heard an update on upcoming IAIS committee meetings and activities; and 4) heard an update on the SIF, Organisation for Economic Co-operation and Development (OECD), and other supervisory cooperation activities.

Commissioner Anderson noted that the Committee also met Feb. 16 in regulator-to-regulator session, pursuant to paragraph 8 (consideration of strategic planning issues) of the NAIC Policy Statement on Open Meetings, to discuss strategy and planning related to international issues, bilateral and regional outreach, and member educational efforts over the course of 2021.

Commissioner Caride made a motion, seconded by Commissioner Mais, to adopt the Committee’s March 25, 2021 (Attachment One), Feb. 3, 2021 (Attachment Two), Jan. 6, 2021 (Attachment Three) and Dec. 9, 2020 (see NAIC Proceedings – Fall 2020, International Insurance Relations (G) Committee) minutes. The motion passed unanimously.

2. **Heard an Update on Key 2021 Projects and Priorities of the IAIS**

Commissioner Anderson reported on recent IAIS activities, starting with an overview of the first set of committee meetings in 2021 that took place in March. Regarding implementation assessment activities related to the holistic framework for systemic risk, the first-phase baseline assessment (BLA) report has been finalized, and the second-phase targeted jurisdictional assessment is now underway. He then provided an update on the insurance capital standard (ICS) monitoring period, noting that IAIS members: 1) discussed results of the 2020 data collection; 2) received an update on the aggregation method (AM); and 3) discussed the public consultation comments received on the draft definition and high-level principles and the plan to develop criteria to assess whether the AM provides comparable outcomes to the ICS. Development of the criteria will take place throughout 2021, with a consultation expected by year-end.

Commissioner Anderson said another important area of work underway are strategic discussions on the IAIS role, activities and priorities related to climate risk and sustainability. Lastly, he said the IAIS will also continue to monitor the ongoing global impact of COVID-19 on supervisors and the insurance sector.

Conor Donaldson (IAIS) added that with respect to the BLA, the internal IAIS report has been uploaded for members, and a public version of the report is expected to be published in the next month. He said the IAIS expects to publish its Application Paper on climate risk before its June committee meetings. Mr. Donaldson noted continued work on Multilateral Memorandum of Understanding (MMoU) as an essential tool to enable supervisory cooperation, and the importance of having a strong chair from the NAIC for the work. The IAIS recently welcomed Argentina as its latest MMoU signatory.

Steve Brodie (American Property Casualty Insurance Association—APCIA) asked about IAIS plans to publish a final version of the high-level principles for assessment of AM comparability and the IAIS’ resolution of comments from the public consultation. Ryan Workman (NAIC) noted that the IAIS is in the process of drafting a thematic high-level summary of comments received, which will be made public once finished.
Commissioner Anderson thanked interested parties for their comments and encouraged them to attend the IAIS Secretariat question-and-answer (Q&A) session following the Committee meeting.

3. **Heard a Presentation on Scalar Methodologies from the Academy**

Steve Jackson (American Academy of Actuaries—Academy) gave an update on the Academy’s work looking at scalar methodologies, the proposal for which was presented to the Committee at the NAIC’s 2020 Summer National Meeting. He noted that the Executive Summary has been released for the Academy’s paper, *Aggregating Regulatory Capital Requirements Across Jurisdictions: Theoretical and Practical Considerations* (Attachment Four), and he presented the main findings and conclusions of the paper. Mr. Jackson noted that the full paper would be made available in the coming days.

Commissioner Anderson thanked the Academy for its efforts and asked whether there were any surprises or challenges during the work looking at scalars. Mr. Jackson noted that the whole project was more challenging than originally expected and that one surprise is that the probability of negative outcomes methodology appears to be more plausible than expected.

4. **Heard an Update on International Activities**

   a. **Regional Supervisory Cooperation**

Director Ramge reported that following the success of last fall’s International Fellows Program, the NAIC will once again offer the program in a fully virtual format this spring, April 19–23. He said while there is no substitute for the hands-on experience that fellows receive during the weeks they spend hosted by state insurance departments and meeting with NAIC staff, the NAIC is grateful to be able to offer international colleagues an opportunity for technical growth and relationship building virtually. Director Ramge noted more than 100 participants are set to join from most major regions, including Western and Eastern Europe, Latin America, the Caribbean, Asia, Africa, and the Middle East.

Director Ramge said the NAIC met virtually on Dec. 10, 2020, with the Financial Services Agency (FSA) of Japan for a biannual bilateral dialogue. The NAIC and FSA discussed various regulatory and supervisory topics and developments, including: responses to COVID-19; updates on 2020 initiatives; and a preview of priorities for 2021.

Director Ramge said the NAIC held a virtual bilateral dialogue with representatives from the European Insurance and Occupational Pensions Association (EIOPA) and European Union (EU) member states on Dec. 18, 2020. He said NAIC representatives provided updates on a variety of initiatives, including: race and insurance, climate and resilience, the Macroprudential Initiative, the group capital calculation (GCC), and responses to COVID-19. Ongoing dialogue and discussions through the EU-U.S. Insurance Dialogue Project and its various workstreams has also continued.

Director Ramge reported that Dean L. Cameron, Director of the Idaho Department of Insurance (DOI) and NAIC President-Elect, participated in the 7th Annual Casablanca Insurance Meeting, organized in part by the Moroccan Supervisory Authority of Insurance and Welfare, with whom the NAIC has as a memorandum of understanding. He explained that Director Cameron spoke on a panel focused on changes necessary to foster innovation and inclusivity within insurance, noting the NAIC’s commitment to supporting the creation of innovative products, the importance of consumer education, and the continued work of the NAIC’s Special (EX) Committee on Race and Insurance.

Director Ramge said the Financial Stability Institute (FSI), the Association of Insurance Supervisors of Latin American and the IAIS will hold a joint webinar this month providing a platform for several Latin American authorities to exchange views on the main insurance risks that currently concern supervisors in the region. He noted that Nina Chen, Chief Sustainability Officer for the New York Department of Financial Services (DFS), will represent the NAIC on a panel on the supervisor’s role in addressing risks from climate change.

Director Ramge noted that a virtual bilateral meeting with the Bermuda Monetary Authority (BMA) is set to take place later this month, which will build on previous meetings and include discussions on the ICS and other timely topics.

Director Ramge said that with the United Kingdom’s (UK’s) exit from the EU, the NAIC is beginning to establish a closer working relationship with the Bank of England’s Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). Discussions have begun regarding the creation of recurring bilateral discussions, with the first expected to take place later this summer.
b. **OECD**

Director Ramge reported the OECD’s Insurance and Private Pensions Committee (IPPC) held a two-day virtual event in later March on addressing the protection gap for pandemic risk. Director Ramge highlighted topics of focus during the virtual meeting, including: 1) research showing how COVID-19 highlighted important coverage gaps for pandemic risk; 2) research showing that the magnitude of potential losses and high levels of correlation make pandemic risk challenging to insure; and 3) conclusions on loss-sharing arrangements between governments and insurers/reinsurers for future pandemics. Director Ramge noted the OECD’s Environment Directorate is organizing a virtual workshop for regulators on reducing and managing the risk of losses and damages from climate change, and that the next meeting of the IPPC will be held virtually in mid-June.

c. **SIF**

Director Ramge said the NAIC, alongside individual state SIF members—California, New York and Washington—participated in the first virtual call of 2021 in March. He noted that the SIF has a new chair, Anna Sweeney from the Bank of England, and that the Federal Insurance Office (FIO) also recently joined the SIF. The meeting included discussions on the start of the three workstreams agreed to in the SIF’s work plan: 1) impacts of climate-related risks on insurability of assets; 2) broader sustainability issues beyond climate; and 3) climate risks in the actuarial processes.

5. **Discussed Other Matters**

Commissioner Anderson noted that the NAIC’s 2021 International Insurance Forum will take place virtually and be livestreamed May 25–26, with morning and afternoon sessions. He said the Committee’s next meeting is scheduled for May 5 to review and approve the submission of NAIC comments on the IAIS draft *Application Paper on Macroprudential Supervision*.

Robert Neill (American Council of Life Insurers—ACLI) noted that ACLI President Susan Neely will be participating in a panel at the NAIC’s International Insurance Forum. He offered the ACLI’s assistance to continue to engage in constructive dialogue on work related to liquidity metrics. Lastly, he noted climate risk as a top issue being addressed domestically and internationally, and said that the Financial Stability Oversight Council is looking at these issues as well. As work continues by federal agencies and the states on such matters, the ACLI welcomes constructive discussions with the inclusion of its members to avoid any redundancies.

Having no further business, the International Insurance Relations (G) Committee adjourned.
## IAIS Draft Revised Application Paper on the Supervisory Colleges – NAIC Draft Comments

<table>
<thead>
<tr>
<th>Section/Paragraph</th>
<th>Comment</th>
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<tbody>
<tr>
<td>15</td>
<td>The IAIS Glossary defines insurance legal entity as “A legal entity, including its branches, that is licensed to conduct insurance, regulated and subject to supervision” so if branches are mentioned in the first sentence, it should be with emphasis; suggest: ...the supervision of insurance legal entities, including branches, and branches most material... Otherwise including “branches” is redundant and should be deleted – see comments on paragraphs 35 and 37.</td>
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<tr>
<td>16</td>
<td>Suggest for clarification: The broader supervisory college should be informed of the topics and discussions within the tiers of the supervisory college.</td>
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<tr>
<td>18</td>
<td>The last sentence reads a bit awkward; suggest: In this regard, coordination agreements are used to establish a framework for supervisory college operations, and the procedures for information exchange, confidentiality protection and use of as well as IT tools are utilised to support the functioning of supervisory colleges.</td>
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<tr>
<td>22, footnote 20</td>
<td>As there is no one set of “professional secrecy requirements”, suggest for clarification: In general, a jurisdiction’s professional secrecy requirements apply to any person currently or previously employed by or acting on behalf of a regulatory authority.</td>
</tr>
<tr>
<td>23</td>
<td>The IAIS typically refers to observance of, rather than compliance with, standards; suggest: The process includes an assessment of the present jurisdictional regime and practices and its compliance with observance of relevant international standards.</td>
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<tr>
<td>27</td>
<td>Given lessons learned from the pandemic, suggest adding to the end of this paragraph: The group-wide supervisor may also want to consider how to leverage IT tools to facilitate in-person as well as virtual meetings.</td>
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<tr>
<td>35</td>
<td>The IAIS Glossary defines insurance legal entity as “A legal entity, including its branches, that is licensed to conduct insurance, regulated and subject to supervision” so “branch” in the first sentence is redundant and should be deleted.</td>
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<tr>
<td>36</td>
<td>It seems “a list of ratios” is more of an example in this context; suggest: In this respect the group-wide supervisor and other members of a supervisory college may agree on selected data, such as a list of ratios, and other selected data to be exchanged within the supervisory college on a regular basis.</td>
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<tr>
<td>37</td>
<td>The IAIS Glossary defines insurance legal entity as “A legal entity, including its branches, that is licensed to conduct insurance, regulated and subject to supervision” so the first sentence should be revised: the group, and its legal entities and branches are exposed...</td>
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<tr>
<td>Page</td>
<td>Suggested Changes</td>
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<tr>
<td>40</td>
<td>Last sentence, suggest being more specific: In this regard, ICPs ICP 25 also recognises the role…</td>
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<td></td>
<td>Footnote 29, there is a typo – should be ICP 25.7.8 rather than 27.7.8</td>
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<tr>
<td>43</td>
<td>Editorial: Supervisory college meetings should be well organised to support the effectiveness of the supervisory colleges college…</td>
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<tr>
<td>49</td>
<td>The latter part of the sentence seems like an example of what group-wide Senior Management may be asked to do; suggest for clarification: For example, group-wide Senior Management can be asked to provide…</td>
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</tbody>
</table>
Distinguished Chair and Members of the NAIC International Insurance Relations (G) Committee:

Thank you for your engagement in international standard setting bodies and in holding public discussions on comments to IAIS papers, including the Draft Issues Paper on Insurer Culture. We plan to submit comments on that paper and are coordinating the comments of the Global Federation of Insurance Associations, as well.

There is one key point which we ask the NAIC to consider raising in general comments and/or as otherwise appropriate in comments on the insurer culture paper. It is to note that due to the subjectivity of the concept of culture, it should not be considered a regulatory or supervisory mandate above and beyond the particular standards for conduct and outcomes otherwise mandated by law and regulation.

Language such as this might be considered:

“NAIC agrees that the culture of insurers is important. However, due to the subjective nature of the concept of culture, it should be clear that culture is not intended to be an additional regulatory or supervisory layer beyond the legally established standards of conduct and outcomes.”

Thank you for your consideration.

Sincerely,

David F. Snyder,
Vice President
APCIA