

INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE

International Insurance Relations (G) Committee March 22, 2023 Minutes

International Insurance Relations (G) Committee Feb. 3, 2023 Minutes (Attachment One)

International Insurance Relations (G) Committee Jan. 4, 2023 Minutes (Attachment Two)

Draft Pending Adoption

Draft: 4/3/23

International Insurance Relations (G) Committee
Louisville, Kentucky
March 22, 2023

The International Insurance Relations (G) Committee met in Louisville, KY, March 22, 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); Dean L. Cameron (ID); Doug Ommen (IA); Dana Popish Severinghaus (IL); Vicki Schmidt (KS); James J. Donelon (LA); Kathleen A. Birrane (MD); Anita G. Fox (MI); Troy Downing (MT); and Marlene Caride (NJ).

1. Adopted its Feb. 3, 2023; Jan. 4, 2023; and 2022 Fall National Meeting Minutes

The Committee met Feb. 3, 2023, and Jan. 4, 2023. During these meetings, the Committee took the following action: 1) discussed NAIC comments on the International Association of Insurance Supervisors' (IAIS') public consultation on the review of its individual insurer monitoring (IIM) assessment methodology; and 2) discussed NAIC comments on the IAIS' *Issues Paper on Insurance Sector Operational Resilience*.

Commissioner Mais made a motion, seconded by Commissioner Caride, to adopt the Committee's Feb. 3, 2023 (Attachment One), Jan. 4, 2023 (Attachment Two), and Dec. 13, 2022, minutes (see *NAIC Proceedings – Fall 2022, International Insurance Relations (G) Committee*). The motion passed unanimously.

2. Heard an Update on International Activities Related to Addressing Protection Gaps

Commissioner Anderson spotlighted international activities related to addressing protection gaps and mentioned the recent creation of the Protection Gaps Task Force (PGTF) at the IAIS. He noted that Director Cameron serves as a member of the PGTF, with California represented as a member as well. He said that the primary work of the PGTF will initially be focused on surveying members, and eventually stakeholders, on protection gaps related to natural catastrophes. This survey will ultimately lead to a report to be released by year-end.

David Snyder (American Property Casualty Insurance Association—APCIA) and Dennis Burke (Reinsurance Association of America—RAA) presented a recent report published by the Global Federation of Insurance Associations (GFIA). Titled *Global Protection Gaps and Recommendations for Bridging Them*, the report examines the drivers of the most relevant protection gaps and provides an overview of the wide range of potential levers that could help reduce each of the gaps.

Snyder reviewed the roles that various groups play in addressing protection gaps and highlighted the report's four primary risk categories that drive the gaps: 1) natural catastrophes (natcats); 2) cyber; 3) pensions; and 4) health. Burke spoke to the natcat risks as defined in the paper and recommended that committee members provide the report to their relevant staff who cover the topic. Snyder and Burke noted that certain protection gaps, such as health, may be more present in some countries versus others, based on the respective insurance markets in place.

Snyder listed the main recommendations of the report, noting education and consumer risk literacy are of key importance to tackling wide protection gaps. He noted that with respect to natcats, better building codes and inspections are recommended, as well as the involvement of more private-public partnerships. Burke noted that market differences exist globally and that open markets will help alleviate the spreading of risk. On cyber risk, recommendations included: 1) promoting an improved cyber-resilience landscape; 2) focusing on critical infrastructure; 3) creating a cyber-incident reporting framework to understand major incidents; and 4) the

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furthered use of aggregate modeling. Finally, they noted that jurisdictions should be mindful of not creating barriers for insurers in addressing protection gaps and allowing risk-based capital (RBC) models to be used.

Commissioner Anderson emphasized that both domestic and international activities to address protection gaps are important for state insurance regulators and the larger insurance sector. He asked the presenters about the process GFIA undertook to highlight the four topics and if there were others on the list. Snyder responded by saying that a cross-section of members from many jurisdictions around the world participated in the drafting of the report and noted that there were no other topics on the agenda.

Director Cameron inquired about access and affordability and whether it is a lack of understanding of risk rather than access to funding mechanisms. He acknowledged that the report addresses what regulators and governments can do. However, he asked if there is any discussion that addresses industry action. Snyder and Burke noted that the paper is, to a lesser extent, focused on the risk-takers of the world, i.e., insurers and insurance sellers. They did note that a combination of recommendations is aimed at different groups and that the industry as a whole should look at potential ways to fill protection gaps together, such as parametric insurance and microinsurance in less developed nations.

Commissioner Lara asked the speakers how global insurers are incentivizing risk reduction and not just the pricing of the risk. Snyder noted that GFIA aims to provide more information on risk mitigation from around the world, which will be circulated once available. He concluded by saying that the work being undertaken by GFIA is a strong signal of the desire to work with regulators to address the top-priority issue of protection gaps.

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 that took place earlier in the month. On the insurance capital standard (ICS), he commended the recent approval of the final criteria to assess whether the aggregation method (AM) provides comparable outcomes to the ICS. Commissioner Anderson noted that this marks an important milestone for the global insurance sector and represents years of work by supervisors to fulfill the Financial Stability Board's (FSB's) charge to develop a comprehensive, group-wide supervisory and regulatory framework for internationally active insurance groups (IAIGs), including a quantitative capital standard. He mentioned that the IAIS is entering the fourth year of the five-year monitoring period for the ICS and that specifications for both the ICS and AM data collections will be released at the end of April, with data due to the IAIS of August 31.

Next, Commissioner Anderson applauded the FSB's endorsement of the IAIS holistic framework for systemic risk in the insurance sector and the discontinuation of the process to designate global systemically important insurers (G-SIIs). He noted that the FSB's decision was based in part on the targeted jurisdictional assessment (TJA) of the holistic framework, which took place over the course of 2021 and 2022.

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

- The Financial Inclusion Forum, which is discussing updating the 2012 IAIS Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets.
- The Fintech Forum and its continuing review of artificial intelligence (AI) and machine learning (ML) guidance from supervisory authorities and explore the need for the IAIS to develop global guidance for the insurance sector.
- The Climate Risk Steering Group's upcoming public consultation that covers the addition of new text to the IAIS Insurance Core Principles Introduction, work related to climate risk and governance, and the IAIS' plans to address climate more broadly.

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Commissioner Anderson concluded by mentioning the IAIS Operational Resilience Task Force will be finalizing an issues paper on operational resilience in the insurance sector, and the Resolution Working Group recently issued a public consultation on an application paper on policyholder protection schemes. He said that the Committee will be meeting April 13 to consider any NAIC comments on the application paper.

4. Heard an Update on International Activities

A. International Activities

Director Dunning reported on upcoming regional supervisory cooperation activities. The European Union (EU)-U.S. Insurance Dialogue 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. He noted the project's upcoming public stakeholder event to be held June 16 in Seattle, WA.

Director Dunning then spoke about the NAIC's International Fellows program and noted the application period is currently open for the spring 2023 virtual session. He encouraged Committee members to notify NAIC staff if their insurance departments would be willing to host a fellow this fall for the in-person session.

Director Dunning spotlighted NAIC participation in recent international events, including the Bermuda Risk Summit 2023, held March 6–8, where Director Lindley-Myers and Director Wing-Heier addressed the NAIC's upcoming priorities for the year, as well as the importance of regulatory collaboration. He also noted the Geneva Association's Program on Regulation and Supervision (PROGRES) that was held March 9–10, where Commissioner Mais participated on a panel on the interplay between health and insurance regulation, and Commissioner Anderson participated on a panel on the ICS.

B. OECD

Director Dunning reported on work at the Organization for Economic Co-operation and Development (OECD) conducted by the NAIC along with its federal colleagues from the U.S. Department of Commerce (DOC), Federal Insurance Office (FIO), and Department of Labor (DOL). He said that since the 2022 Fall National Meeting, work has continued on a variety of topics, including enhancing the contribution of insurance climate adaptation, as well as digitalization to encourage policyholder risk reduction. Lastly, he noted an upcoming OECD roundtable event in India hosted in conjunction with India's insurance regulator and the Asian Development Bank Institute (ADBI) scheduled for May 24–25 and the next OECD Insurance and Private Pensions Committee meeting scheduled for June 26–27 in Paris, France.

C. SIF

Director Dunning reported that the Sustainable Insurance Forum (SIF) is continuing its work on two work streams: 1) identifying the potential role of insurance supervisors in the net-zero transition; and 2) how to best leverage existing practices from around the globe to help jurisdictions address access and affordability issues to help close the coverage gap within their own jurisdictions. The next meeting is expected to take place in the second quarter of 2023.

5. Discussed Other Matters

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Commissioner Anderson noted two upcoming events: 1) the NAIC's International Insurance Forum scheduled for May 18–19, in Washington, DC; and 2) the IAIS 2023 Global Seminar scheduled for June 15–16, in Seattle, WA, which will be hosted by the NAIC.

In his closing remarks, Commissioner Anderson gave special thanks to NAIC CEO Michael F. Consedine, who will be resigning from his position in April 2023. Commissioner Anderson highlighted Consedine's commitment to the U.S. perspective at the global insurance regulatory stage and his consistent push for the NAIC's participation in a variety of international forums, associations, and events.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/G CMTE/National Meetings/2023/Louisville-Spring National Meeting

Draft: 2/13/23

International Insurance Relations (G) Committee
Virtual Meeting
February 3, 2023

The International Insurance Relations (G) Committee met Feb. 3, 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 Susan Bernard (CA); Andrew N. Mais represented by William Arfanis (CT); Dean L. Cameron (ID); Doug Ommen (IA); Dana Popish Severinghaus (IL); Vicki Schmidt (KS); James J. Donelon (LA); Kathleen A. Birrane (MD); Anita G. Fox (MI); Troy Downing (MT); and Marlene Caride (NJ).

1. Discussed NAIC Comments on the IAIS Public Consultation on the Review of the IIM Assessment Methodology

Commissioner Anderson explained that the International Association of Insurance Supervisors (IAIS) is conducting a public consultation on the review of its Individual Insurer Monitoring (IIM) Assessment Methodology, which is one component of the IAIS's Global Monitoring Exercise (GME). He reviewed the GME as a key element of the Holistic Framework adopted by the IAIS in November 2019 to support the IAIS mission of effective and globally consistent supervision in order to protect policyholders and contribute to global financial stability. He noted that the objective of the public consultation is to seek input on the review of the IIM Assessment Methodology for the next three-year cycle of application, and the triannual review of the IIM helps to ensure that the Holistic Framework for systemic risk in insurance remains up to date as risks and the sector continue to evolve. He said the NAIC's initial draft comments are based on an internal review of the IIM consultation document, and they were circulated in advance of the call, but no input was received from state insurance regulators or interested parties.

Ryan Workman (NAIC) gave an overview of the NAIC's comments on the public consultation and summarized the draft answers to a variety of the consultation questions. The NAIC comments address potential changes to the IIM scoring indicators, including refinements to Level 3 assets, cross-border reinsurance, the derivatives and the short-term funding indicators, and removal the financial guarantee indicator. Workman explained that the draft comments recommend that the insurer pool selection criteria contain language providing for an inflation adjustment of the dollar threshold on a periodic basis. He concluded by noting that the last comment recommends that the IAIS Global Insurance Market Report (GIMAR) should be more concise going forward.

Stephen Broadie (American Property Casualty Insurance Association—APCIA) provided a review of comments to be submitted by the APCIA on the public consultation. He noted three areas of focus for the comments: 1) a misplaced focus on cross-border reinsurance that should be better directed at identifying concentration risk; 2) the abundance of liquidity risk measures that exist and how they should be limited in number to one or two; and 3) general comments on how the IAIS should reduce additional data requests to items that are not publicly available and are directly relevant to identifying systemic risk.

Commissioner Caride made a motion, seconded by Director Cameron, to approve the submission of the NAIC comments on the review of the IIM Assessment Methodology (Attachment A). The motion passed unanimously.

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

G Cmte Minutes 020323

Draft: 1/17/23

International Insurance Relations (G) Committee
Virtual Meeting
January 4, 2023

The International Insurance Relations (G) Committee met Jan. 4, 2023. The following Committee members participated: Gary D. Anderson, Chair (MA); Eric Dunning, Vice Chair (NE); Andrew N. Mais represented by William Arfanis (CT); Doug Ommen (IA); Dana Popish Severinghaus represented by Susan Berry (IL); James J. Donelon (LA); Kathleen A. Birrane (MD); Anita G. Fox represented by Judy Weaver (MI); Marlene Caride (NJ); and Michael Wise (SC).

1. Discussed NAIC Comments on the IAIS Public Consultation on the Issue Paper on Insurance Sector Operational Resilience

Commissioner Anderson explained that the International Association of Insurance Supervisors' (IAIS's) public consultation on its Issue Paper on Insurance Sector Operational Resilience was a result of work done by the IAIS Operational Resilience Task Force. He noted that the issue paper: 1) identifies issues affecting operational resilience in the insurance sector, specifically those related to cyber resilience, third-party outsourcing, and business continuity management; and 2) provides examples of how supervisors are approaching these developments while considering lessons learned during the COVID-19 pandemic. He said the NAIC's initial draft comments on the issue paper that were circulated in advance of the call for review were drafted upon internal review by NAIC staff and members of the Cybersecurity (H) Working Group.

Ryan Workman (NAIC) gave an overview of the NAIC's comments on the public consultation, noting that many were editorial in nature, and he provided more of an explanation of the comments on areas for further clarification and suggestions for additional context to strengthen certain concepts that were being discussed. He summarized the draft answers to three consultation questions, which touched on the priorities of observations set out in the paper, the potential future focus of the IAIS, and the value of cross-border information sharing.

Commissioner Donelon made a motion, seconded by Acting Director Wise, to approve the submission of the NAIC comments on the Issue Paper on Insurance Sector Operational Resilience consultation document (Attachment A). The motion passed unanimously.

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

G Cmte Minutes 010423