

INTERNATIONAL REPORT

NAIC
National Association of
Insurance Commissioners

& The CENTER
for INSURANCE
POLICY
and RESEARCH

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NAIC AND STATE INSURANCE REGULATORS INVOLVED IN THE U.S. FSAP

The Financial Sector Assessment Program (FSAP), a joint International Monetary Fund (IMF) and World Bank program assessing the U.S. financial regulatory system, including insurance, completed its first set of field work in October. Supported by experts from a range of national agencies and standard-setting bodies, the FSAP has the following aims: (i) to identify the strengths and vulnerabilities of a country's financial system; (ii) to determine how key sources of risk are being managed; (iii) to ascertain the financial sector's developmental and technical assistance needs and (iv) to help prioritize policy responses.

Over a three-week period in October 2009, the IMF conducted field visits to the NAIC's Washington, DC and Kansas City offices as well as to several U.S. state insurance departments to build on the results of the NAIC's Self-Assessment (the NAIC through its FSAP review group completed a Self-Assessment this past August evaluating the extent to which US insurance regulatory practices are in observance with the 28 IAIS Insurance Core Principles.) Meetings with the private sector (insurance companies) and trade associations were also undertaken during this October field work. In addition to forming part of the assessment against international standards, the FSAP process will be instrumental in demonstrating how states oversee the business of insurance and how the NAIC operates in conjunction with the states – key features of the U.S. system of interest to non-U.S. regulators are the peer review and financial data and analysis capacities at the NAIC.

Based on the completed Self-Assessment (which reflected a high level of observance by the US insurance regulatory system of the IAIS Insurance Core Principles), relevant background information and the aforementioned field visits, the IMF assessors have drafted a Detailed Assessment Report (DAR). During a comment period, NAIC has been able to submit comments to correct and clarify the report. A second round of FSAP field visits are tentatively scheduled for February 10-26th where currently it appears the focus will be on Stress Testing, Crisis Management, and Systemic Liquidity.

The FSAP forms the basis of Financial System Stability Assessments (FSSAs) which is expected to be finalized and published in June/July 2010.

The NAIC FSAP Review Group will continue to oversee the NAIC's response to the FSAP and the various deliverables for the FSAP process going forward.

SUPERVISORY COLLEGES

U.S. state insurance regulators continue to participate in supervisory colleges for insurance-related entities around the world. Several U.S. state regulators (with administrative and staff support by the NAIC) are also convening a supervisory college for one insurance-related entity with global insurance and reinsurance operations. The first meeting of this supervisory college took place in April 2008 and its members included various U.S. states and foreign regulators. The meeting focused on procedural matters related to governance, process, timelines and information sharing agreements, in addition to the expectations and goals of the supervisory college. Another supervisory college meeting on more substantive issues took place in October in which involved supervisors gained an enhanced understanding of the various entities regulated by supervisory college members. The discussions included the entities' inherent risks, financial positions and business activities. An in-person meeting for this supervisory college is scheduled for April 2009.

The NAIC also continues to evaluate the role of supervisory colleges and other methods of communication amongst cross-border and cross-sectoral supervisors with a Subgroup under the Group Solvency Issues Working Group of the Solvency Modernization Initiative (EX) Task Force charged with making recommendations for courses of actions relating to this issue. The Subgroup proposed revisions to the Model Holding Company Act relating to requiring state insurance regulators to share information with federal and international counterparts, and authorizing the use of supervisory colleges where appropriate. The Subgroup is also currently reviewing states potential future involvement in the International Association of Insurance Supervisors (IAIS) Multilateral Memorandum of Understanding in addition to proposing a tracking document which would track state regulators invited to and participating in supervisory college meetings with appropriate feedback mechanisms built into the chart for information exchanges between state regulators before and after the relevant supervisory college meetings.

NAFTA WORKING GROUP CONTINUES DISCUSSIONS WITH CANADA OVER PROPOSED FMCSA RULE CHANGE

The NAIC's North American Free Trade Agreement (NAFTA) Working Group has continued to review the proposed rule change by the Federal Motor Carrier Safety Administration (FMCSA) (part of the Department of Transportation) to allow Canadian trucks and buses entering the U.S. to present evidence of their Canadian insurance to show "financial responsibility." The Working Group has been engaged in a number of follow-up conversations with the Canadian Federal insurance regulators Office of the Superintendent (OSFI) to seek additional information and assurances concerning Canada's regulatory oversight of Canadian insurers executing the MCS-90 forms. They also participated in fruitful discussions with representatives of the Canadian insurance industry in connection with the North American Free Trade Agreement (NAFTA) Trilateral Working Group (TIWG) which the NAIC chaired in September of this year [*see related report below*].

As a result of an ongoing dialogue with OSFI, the Working Group now has greater confidence that there are significant similarities between the U.S. state insurance regulatory system and Canadian federal insurance regulation. Similar to the NAIC insurer quarterly financial filing requirements, OSFI posts extensive financial information (balance sheet, income statement, some operating information, and solvency calculation) for each federally regulated Canadian insurer on its website. OSFI has also committed to work closely with the NAIC and state insurance regulators in sharing information and by agreeing to enter into information sharing agreements on a regulator-to-regulator basis as may be

necessary. OSFI provided assurances that U.S. consumers will have access to the mandatory third party dispute resolution mechanism required of Canadian insurers and that U.S. consumers could raise their dispute with a Canadian insurer directly and, if not satisfied with the response, the U.S. consumer could seek a judicial resolution through the traditional court system.

Furthermore, the Working Group is more confident that, should insolvency of a Canadian insurer occur, Canada does have a system in place (industry-funded, non-profit Property and Casualty Insurance Compensation Corporation (PACICC)) that would protect consumers up to the limit of CAD \$250,000, regardless of the residency of the claimant.

Consequently, a second comment letter was submitted highlighting the cooperative discussions and the similarities between the two systems and underscored the NAIC's willingness to continue to work with the Canadian regulators and the FMCSA to facilitate increased cross-border trade activities and the desire to support the proposed rulemaking if NAIC's recommendations are met.

To protect U.S. consumers from any unnecessary financial obligations, the NAIC recommended:

- The FMCSA should develop a system to notify the NAIC of any solvency problems arising with any Canadian insurer operating on a cross-border basis. When the financial difficulty reaches a level of supervisory action in Canada, the FMCSA should have the authority to require the affected motor carriers to find an alternate insurance provider. Once the Canadian regulators certify that the Canadian insurer is no longer in financial difficulty, then that insurer could again become eligible to execute the MCS-90 and MCS-90B.
- In the interest of true reciprocity, the FMCSA should require Canadian insurers executing the MCS90 to file a duly executed Power of Attorney and Undertaking (PAU) with the NAIC, since existing regulations require U.S. insurers to file a PAU with the Canadian Council of Insurance Regulators (CCIR) for their cross-border activities. The PAU would give State insurance regulators – and U.S. claimants – equivalent reassurance that there would be a Canadian insurer agent/representative within that State to accept notice and service of process on behalf of the Canadian insurer and, more importantly, preserve necessary protections to U.S. consumers.

A full copy of the letter can be obtained on the NAIC NAFTA Working Group web page.

NAFTA TRILATERAL INSURANCE WORKING GROUP & FINANCIAL SERVICES COMMITTEE UPDATE

On September 24, Director Urias (AZ) chaired the NAFTA Trilateral Insurance Working Group (TIWG) which reports to the NAFTA Financial Services Committee. The TIWG had participation from the NAIC, Arizona Department of Insurance, U.S. Department of Commerce, Treasury, Office of the United States Trade Representative, Federal Motor Carrier Safety Administration, Mexican Insurance and Surety National Commission, Ministry of Economy - Embassy of Mexico, Finance Canada and a number of industry representatives.

The TIWG focused on the insurance issues that were identified by the Security and Prosperity Partnership (SPP), received an update from the Federal Motor Carrier Safety Administration (FMCSA) reported on the U.S. "pilot project" for allowing Mexican and U.S. trucks to operate across their

respective borders. An extended discussion was held regarding the proposed FMCSA rule change to allow Canadian trucks and buses entering the U.S. to present evidence of their Canadian insurance to show "financial responsibility," [see related report above]. The U.S. insurance private sector raised a concern regarding a change in Canadian law that would shift regulatory oversight from a "location of risk" to a loose "location of transaction" basis. The meeting concluded with Finance Canada agreeing to host the next TIWG meeting in the Fall of 2010 in Canada.

On November 24, NAIC staff George Brady and Ekrem Sarper participated in the 15th NAFTA Financial Services Committee and 15th Security and Prosperity Partnership (SPP) Financial Services Working Group held in Washington, DC by the Department of the Treasury. Participants at this meeting shared experiences relating to financial sector stability, ongoing initiatives in the SPP Work Plan (including the insurance issues discussed at length during the September TIWG meeting), regulatory and legislative developments in each respective country, and issues related to potentially restarting WTO Financial Services Initiatives. It was agreed that Mexico would host the next meeting in 2010.

NAIC MEETS WITH MEXICAN HEALTH MINISTER

On September 30, NAIC staff met with the Mexican Minister of Health, Dr. Jose Angel Cordova Villalobos, the Mexican Ambassador to the United States, embassy staff, and insurance industry representatives to discuss an initiative that the Ministry of Health is considering to provide limited health insurance coverage for Mexican nationals residing in the United States. Staff provided background information on the health insurance regulatory system in the United States and how the proposal might fit within that system.

NAIC PARTICIPATES IN MEETINGS AT THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

Director Christina Urias (AZ) and NAIC Staff participated in the Insurance and Private Pensions Committee (IPPC) of the Organization for Economic Cooperation and Development (OECD) on December 3 and 4 in Paris. Participants from the 30 Member countries and private sector representatives engaged in discussions on a number of issues, including the impact of the financial crisis on the insurance sector, catastrophic risks, corporate governance including discussions on the OECD *Guidelines on Insurers' Governance*, financial innovation and financial education (specifically an update on draft good practices on financial education and insurance intermediation).

The next OECD IPPC meeting is scheduled for June 2nd & 3rd in Paris.

U.S.-INDIA FINANCIAL AND ECONOMIC FORUM

Danny Saenz (TX) will participate in the U.S.-India Financial and Economic Forum (FEF) on October 28th in New Delhi, India. The NAIC will address the financial crisis, the importance of open markets, bancassurance and pensions. The Indian Ministry of Finance, the U.S. Treasury, and financial regulators from both countries (including the NAIC) have engaged in recent years under the auspices of the FEF, part of the US-India Economic Dialogue. This has provided an important venue to share views and expertise on macroeconomic and financial sector issues, including fiscal and exchange rate policies, measures to increase competition and strengthen prudential regulation in the banking sector and securities markets, insurance and pension reforms, and anti-money laundering efforts.

INTERNATIONAL SOLVENCY (EX) WORKING GROUP MEETS TO DISCUSS REGULATORY SYSTEMS OF BERMUDA, CANADA & SWITZERLAND

Over the last 3 months the International Solvency (EX) Working Group, as part of the Solvency Modernization Initiative, has met with the insurance regulators from Bermuda, Canada and Switzerland to better understand their regulatory systems.

Bermuda

The Bermuda Monetary Authority (BMA) discussed its responsibility for regulating all financial institutions in Bermuda. Bermuda insurers are regulated by the Supervisor of Insurance, which is part of the BMA. Insurers in Bermuda are categorized into several classes, allowing for increasing the regulatory stringency for firms that write business more broadly. A risk-based supervisory framework for Class 4 insurers (Insurers with minimum capital and surplus of \$100M and underwriting direct excess liability and/or property catastrophe reinsurance) has been implemented since 2007. This framework directs supervisory attention to companies with risky company ratings. Company ratings are designed to take into account the impact and the probability of failure.

The BMA illustrated how they calculate their risk based “Bermuda Solvency Capital Requirement (BSCR)”. They also explained that Class 4 insurers may use an internal model, but must meet certain requirements in order to do so.

Canada

The Canadian prudential insurance regulator – the Office of the Superintendent of Financial Institutions (OSFI) - presented an overview of the Canadian regulatory framework. OSFI explained that, in Canada, insurance is regulated at the provincial and federal level. Most insurers are federally registered, and as such are regulated for solvency purposes by OSFI. Provincial regulators are primarily concerned with licensing of brokers, insurance rates and policy contents. OSFI also detailed their shift to a new supervisory framework in 1999 with greater emphasis on corporate governance, risk management, financial analysis, internal audits, board oversight, and compliance as key components to ensure insurer solvency.

OSFI discussed the future of capital adequacy provisions for Canadian insurers and a shift towards a greater use of internal models. Furthermore principles have been developed for a new capital framework for property and casualty insurers. These principles are intended to help insurers make better risk-based business decisions and to determine capital levels that better match an insurer’s risk profile and risk management practices.

Switzerland

The Swiss Financial Market Supervisory Authority (FINMA) reported on the workings of the Swiss Solvency Test (SST) and Swiss Quality Assessment (SQA) noting that SQA is presented as an additional way to get insights into a company beyond numbers and financial measures and thereby complements traditional supervision and the SST to provide a more holistic view of a company.

There was also a discussion on developments in group supervision with FINMA reporting on the supervisory college experiences of Swiss Re and Zurich Financial and the NAIC discussing progress for convening supervisory colleges in the U.S. FINMA and the NAIC agreed to continue an active dialogue and exchange of ideas with regard to improving the processes and procedures for convening supervisory colleges for regulated entities in the future. Finally, there were discussions as to IAIS strategic planning initiatives in addition to reactions to the IAIS's responses to the FSB and G20 working groups.

NAIC ENGAGES WITH EU SUPERVISORS **ON GROUP SUPERVISION**

Commissioner Jane Cline (WV), Danny Saenz (TX) and NAIC Staff participated in meetings with European insurance supervisors in November. The NAIC delegation joined a meeting of the group supervision subcommittee of the Committee of European Insurance and Occupational Pensions (CEIOPS) supervisors. The meeting was open to supervisors from "third countries" to learn about the CEIOPS guidance on group supervision under Europe's Solvency II legislation, and their ideas on a process for evaluating equivalence of "third country regimes."

The meetings were held at CEIOPS' headquarters in Frankfurt, Germany, and provided participants with an opportunity to understand the rules under Solvency II related to the supervision of groups. Although a controversial section on "group support" was left out of the Solvency II reforms in late negotiations, the new rules will require that insurers be supervised with due regard to the effect of any group structures in which they operate. Separate legislation in effect in the EU addresses the supervision of insurers which are part of financial conglomerates.

The meeting was held during Euro Finance Week, which included CEIOPS' annual one-day conference. During the Conference, European Central Bank Head, Jean-Claude Trichet, gave a significant keynote address in which he argued that the insurance sector should be considered "systemic" in discussions of how to address financial institutions which, because of their size, business, or interconnectedness, require additional oversight.

A conference panel also included comments from Peter Skinner (Member of EU Parliament) and Karel van Hulle (EU Commission staff) regarding the implementation of Solvency II. With regard to the EU's assessment of the equivalence of "third country" regimes to the EU standards – which are not set to come into force until 2012 – Mr. van Hulle made reference to the EU's active engagement at the political level with U.S. law and policy makers in Congress and Treasury to achieve reform of U.S. reinsurance collateral requirements and in pursuit of a single federal voice for the U.S. insurance sector. He indicated that the U.S. could not be deemed "equivalent" as long as the current collateral rules are in place. Mr. Skinner commented further that, although it would be "absurd" for the U.S. not to be deemed equivalent, because insurance supervision is conducted at the state level, the U.S. cannot be deemed a "country" under Solvency II.

In late October, NAIC staff participated in the semi-annual Financial Markets Regulatory Dialogue (FMRD). Led by the U.S. Treasury, the FMRD is an opportunity for U.S. regulators from all financial sectors – including insurance – to interact with counterparts in the EU Commission (the meeting does not involve financial supervisors.) In that meeting, NAIC staff inquired of the Commission whether they had considered the U.S. insurance sector's national system of financial regulation – enforced through the NAIC Accreditation Program – in their early determination that the U.S. system did not satisfy Solvency

II's reference to a "solvency regime in a third country." The response from the EU referenced on-going work by CEIOPS to elaborate a peer review system to evaluate its own Members' adherence to binding EU rules. With third-country equivalence assessments scheduled to begin in 2010, participants from the EU did not find it premature to be assessing third countries against the Solvency II system before it is required to be adopted in Member States, regardless of the years of experience in "third countries" with alternate regimes.

During the IAIS Annual Conference in October, Commissioner Cline led another NAIC delegation in a dialogue with members of CEIOPS and Mr. van Hulle. The discussion centered on potential synergies between the NAIC and CEIOPS, especially in light of Europe's move toward restructuring the groups of financial supervisors - CEIOPS, CEBS (banking) and CESR (securities) – into European Supervisory Authorities, and empowering them with the authority to issue binding regulations and mediate disputes between Members. The NAIC plans to host a delegation from CEIOPS in Kansas City in early 2010 to demonstrate the central financial database, the operations of the Financial Analysis Working Group (FAWG), and the comprehensive Accreditation Program. The NAIC and CEIOPS also agreed to explore possible commonalities in their respective approaches to the issues of systemic risk and "too big to fail" as they might apply in the insurance sector.

NAIC REGULATORY DIALOGUES

The NAIC used the opportunity of the IAIS Annual Conference in October to hold a regulator-to-regulator dialogue with the China Insurance Regulatory Commission (CIRC). Commissioner Cline headed the NAIC group in the meeting with CIRC's Chairman Wu Dingfu and other high ranking CIRC officials. CIRC and the NAIC committed to continuing the active participation by CIRC staff in the NAIC's international intern program, and discussed additional opportunities for cooperation, including executive level training and seminars to explore critical emerging issues such as addressing large scale catastrophes and investment rules for insurers.

Also during the IAIS Conference, Commissioner Cline and others from NAIC met with the head of Thailand's Office of the Insurance Commission to exchange views on an action plan for future cooperation between the NAIC and the OIC under the MOU signed in 2009.

STOREBRAND CEO VISITS WITH NAIC

NAIC international relations staff met with Sarah McPhee, CEO of one of Sweden's leading life insurance and pension providers, SPP. The purpose of the meeting was to share views on current regulatory and policy trends affecting the life insurance and pension industries in the United States and Europe. Ms. McPhee was also due to visit with a number of other regulatory agencies while in Washington.

NAIC staff briefed Ms. McPhee about the role and the work of the NAIC in the U.S. and received an overview on NAIC regulatory modernization efforts underway and the Solvency Modernization Initiative (SMI). Staff also discussed the NAIC's active participation internationally with the IAIS and OECD and the NAIC's relationship with the European Union insurance supervisors and policy makers.

Staff reinforced the NAIC's continued work closely with the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) as they develop implementing measures related to Solvency II, in particular with regards to equivalence.

INTERNATIONAL TRADE UPDATE: **WTO HOLDS FIRST MINISTERIAL CONFERENCE SINCE 2005**

The World Trade Organization (WTO) just completed its first ministerial conference since 2005. The seventh WTO ministerial conference this week concluded without substantive Doha round results except an agreement to have a status assessment no later than March 2010 to determine if a deal is possible at the end of the year.

While there were no negotiations at this Ministerial conference, the WTO recently held its first financial services negotiating session in Geneva following a nearly one year hiatus. Reports show that little progress has been made on the outstanding issues. The negotiations have remained frozen since the failure to reach a breakthrough in late 2008.

IAIS ANNUAL CONFERENCE 2009



The 16th IAIS Annual Conference was hosted by the SUSEP, the Brazilian Superintendence of Private Insurance in Rio de Janeiro, Brazil October 21-24. The conference provided an excellent opportunity for representatives of the insurance profession to exchange views on new developments. The theme was "Insurance as a Means of Socio-Economic Development" and covered the following issues:

- Insurance as a Means of Socio-Economic Development
- Lessons from the crisis - for supervisors and the insurance industry
- A new international supervisory architecture
- Promoting sound insurance markets
- Financial literacy and consumer protection
- Global developments in solvency regulation and supervision
- Corporate Governance and risk management
- Co-operation among supervisors

A small delegation from the NAIC participated in IAIS Committee meetings preceding the Conference. Among them, Commissioner Gross and McCarty and NAIC CEO Terri Vaughan made presentations during the Conference. George Brady of the NAIC was also voted in to serve as a U.S. representative on the IAIS Executive Committee.

NAIC SIGNs MOU WITH ANS BRAZIL

The NAIC and Brazil's Agência Nacional de Saúde Suplementar (ANS) - Brazilian Federal Regulatory Agency for Health Plans and Health Insurance, have reached an agreement covering the exchange of information and technical assistance; cooperation among U.S. and Brazilian regulators; and educational seminars and training benefitting to consumers in each country with the signing of a Memorandum of Understanding (MOU) at the winter NAIC meeting.

This is the 11th such MOU the NAIC has reached with other countries on regulatory cooperation and the second with Brazil. A MOU was signed with Superintendência de Seguros Privados (SUSEP) in 2006. The agency is responsible for the supervision of insurance, open private pension funds and capital markets in Brazil. NAIC is also negotiating an agreement with the Chinese Taipei who were present at the signing ceremony.

Negotiations leading to the MOU were conducted while attending the IAIS Triannual Meeting in Rio de Janeiro in October, led by Commissioners Cline (WV), Gross (VA), McCarty (FL) and NAIC staff. The ANS was represented by Alfredo Cardoso, Director General, Fabio Fonseca, General Manager, Cesar Serra, Licensing Requirements, Actuarial and Market Studies Manager, Washington Alves, Actuarial Coordinator and Renata Gasparello, Actuary Regulation Specialist.

The negotiations touched upon various topics including the health reform in the U.S., the importance of regular dialogue between regulators and the assistance that the NAIC can provide the ANS. Preliminary discussions were also held with regards to an MOU and information was exchanged on the potential for future cooperation. Discussions with the ANS continued culminating in the signing of an MOU on regulatory cooperation on Saturday, December 5. The NAIC and ANS will now develop a work plan for 2010.

INSTITUTE OF BRAZILIAN ISSUES VISIT NAIC EXECUTIVE OFFICE

Twenty-six Brazilian Government officials who work in regulatory agencies met with NAIC staff on November 10. The Brazilian officials were in the U.S. to study the U.S. regulatory system from November 2 - 13. They were especially interested in how the U.S. insurance departments make their regulatory decisions, the degree of political independence, and how they evaluate the effectiveness and cost of the regulatory requirements. With the health reform pending on Capitol Hill they had many questions about the future of health insurance in the U.S.

NAIC INTERNATIONAL INTERN PROGRAM CONTINUES TO FLOURISH: 100th INTERN PARTICIPATES IN CURRENT SESSION

In late October, the NAIC welcomed 11 interns to its International Intern Program, including from Azerbaijan (1), China (5), Egypt (2), Saudi Arabia (1), and Thailand (2). Host jurisdictions for the fall 2009 program include Hawaii, Michigan, New York, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Vermont and West Virginia. Michigan, South Carolina & Vermont were first time hosts. The NAIC developed the program in 2004 to advance working relationships with foreign market regulators, emphasizing the exchange of regulatory techniques and technology.

To enhance the experience of the interns and to expose them to the broader spectrum of the NAIC, the interns are attending our Winter National Meeting and will attend a variety of insurance related meetings to share experiences with other non-US regulators hosted by other states. The program concludes next week in Washington, DC with a debriefing program, a seminar on industry – regulatory relations by the U.S. insurance industry and a ceremonial graduation dinner to highlight the interns’ accomplishments.



The NAIC internship program is conducted twice a year – spring and fall.

With the completion of the 2009 fall program, a total of 102 interns from 20 countries have participated in the training program. To date, 27 U.S. jurisdictions have hosted these non-U.S. regulators, including: Alabama, Arkansas, California, Colorado, District of Columbia, Georgia, Hawaii, Illinois, Kentucky, Maryland, Massachusetts, Michigan, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Texas, Vermont, Washington, and West Virginia.

Since the China-Pilot program began in 2004, Albania, Armenia, Azerbaijan, Bosnia & Herzegovina, Brazil, British Virgin Islands, Bulgaria, China, Chinese Taipei, Egypt, India, Jordan, Korea, Lebanon, Thailand, Russia, Saudi Arabia, Serbia, Singapore, and Vietnam have participated in the NAIC’s training program.

In 2010 there will be a number of changes to the internship schedule in light of the shift to 3 national meetings per year. Subject to approval by the International Regulatory Cooperation Working Group the timeline for the 2010 program can be found below.

Timeline for Spring 2010 program	Timeline for Fall 2010 program
NAIC Central Office, Kansas City, Missouri Training Dates: April 12 – 16	NAIC Central Office, Kansas City, Missouri Training Dates: October 11 - 15
Host State—State Insurance Department Week 1 – 5: April 19 – May 21	NAIC – National Meeting – Orlando, Florida Dates: October 18 – 21
NAIC Executive Office – Washington, D.C. Dates: May 24 - 25	Host State—State Insurance Department Week 1 – 5: October 25 – November 2
	NAIC Executive Office – Washington, D.C. Dates: November 29 – 30

*If your state is interested in hosting an International Intern in 2010,
please contact Ekrem Sarper (esarper@naic.org.)*

IAIS COMMITTEES AND SUBCOMMITTEES: UPDATE

Established in 1994, the IAIS represents insurance regulators and supervisors of some 180 jurisdictions in more than 130 countries, constituting 97% of the world's insurance premiums. With the growth and importance of insurance and standard setting, the IAIS now has more than 100 observers from the private sector, academia, and international organizations.

The IAIS Triannual Conference was held June 24-25 2009 in Taipei and NAIC participants included Commissioners McCarty (FL) and Praeger (KS); and NAIC staff. The IAIS Annual Meeting will be held in Rio de Janeiro, Brazil in October.

Executive Committee [Commissioners Cline (WV), McCarty (FL), Gross (VA); and George Brady (NAIC)]

- Discussed an interim report from the subcommittee charged with research into the design and practicality of a Common Assessment Framework for insurance group supervision. On the basis of the outcome of this exercise, the Executive Committee will assess the merits of further advancing the process of developing a common assessment framework for insurance group supervision.
- Continued strategic planning and discussion drafts on issues related to standard setting, financial stability, standard implementation, and external relations and key stakeholder expectations, with reassessment of resources to follow.
- With regard to financial stability concerns, the previous task force was converted to the Financial Stability Committee, which will examine “systemic risk” issues, and develop proposals on macroprudential tools for use in specific jurisdictions as well as ideas regarding a possible role for the IAIS in macroprudential surveillance.

Budget Committee

- Received a report on the 2009 financial statements.
- Reviewed a request from the Implementation Committee for additional funding for activities, and requested additional information from that Committee before deciding whether to change the allotment.
- Discussed proposed changes designed to enhance the budget process with regard to the Annual Conference.

Technical Committee [Commissioner Gross (VA), Chair]

- Held a hearing related to the financial crisis and key risks and trends in light of events and reactions in various jurisdictions.
- Discussed several issues brought forward with regard to the work of the Insurance Core Principles Coordination Group.
- Reaffirmed the need for the Solvency and Insurance Contracts Subcommittees to coordinate their work on valuation issues through the Joint Working Group.

Financial Stability Committee [Commissioner Gross (VA)]

- Discussed issues related to an IAIS response to reports from G20 and FSB.
- Developed recommendations on further work by the IAIS in response to work on “systemic risk”, capital requirements for the banking sector; FSB principles on remuneration; and macroprudential issues.

Accounting Subcommittee

- The Accounting Subcommittee will meet briefly in the afternoon of December 8 in order to discuss comments on the IAASB consultation paper "Auditing Complex Financial Instruments".

Insurance Contracts Subcommittee [Rob Esson - NAIC – Chair]

- The Insurance Contracts Subcommittee will meet December 7-8 in San Francisco. It will be discussing the recent IASB standard on financial instruments and exposure draft on impairment of those instruments. This is particularly important as a number of life products with heavy investment components are likely to be classified as financial instrument liabilities under general purpose financial reporting even though regulated as insurance.
- It will also discuss recent decisions by the IASB and FASB on insurance contracts, particularly relating to acquisition costs. It may decide to write to the Boards as their recent decisions will likely sacrifice economic reality and sensible reporting for a misplaced attempt to achieve consistency with their views on revenue recognition.
- The subcommittee will also discuss the appropriate discount rate to be used to discount insurance liabilities and receive a presentation from industry on difficulties surrounding the use of risk free rates.

Governance and Compliance Subcommittee [Director McRaith (IL)]

- Met December 1 & 2 in Basel, Switzerland.
- Reviewed the Solvency Subcommittee’s standard and guidance papers on Enterprise Risk Management for Solvency Purposes in order to assess whether there are any areas of overlap with the work of the Governance and Compliance Subcommittee.
- The IAIS-Microinsurance Network Joint Working Group has been working on the "Issues Paper on the Role, Regulation and Supervision of Mutuals, Cooperatives and other Community-based organizations in increasing access to insurance markets". The Joint Working Group has asked the subcommittee for written comments on their paper by January 2010.
- The group discussed the OECD Guidelines for Corporate Governance.
- The group continued its review of the 6 ICPs assigned to it.

Insurance Groups & Cross-Sectoral Issues Subcommittee [Commissioner McCarty (FL)]

- Met in Basel Switzerland on November 3-5, 2009.
- Received updates from the IAIS Chairman and Subcommittee members on developments in group-wide supervision in their jurisdictions. It was noted that an EU-wide stress test for the 30 largest insurance groups has been launched with submissions by the companies due end-2009 and the results expected in March 2010.

- The IGCS Chair then provided updates of the outcomes of the October 2009 Tri-annual Meetings, including the following:
 - The IGCS's Guidance Paper on the Use of Supervisory Colleges in Group-wide Supervision was adopted by the General Meeting on October 24, 2009. The guidance paper will contribute to work of the FSB Standing Committee on Regulatory Cooperation on the development of a global portocol for supervisory colleges. It is likely there will be an IAIS survey in 2010 regarding the number and composition of supervisory colleges for insurance groups.
 - The IGSC's workplan for the Roadmap was approved by the Technical Committee including the proposed split of work on cross-boarder cooperation on crisis management and supervisory resolution of cross-boarder entities.
- The Solvency and Actuarial Issues Subcommittee will have a joint meeting with the IGCS regarding draft "group" solvency standards and guidance papers.
- Received an update that the FSB Standards Implementation Standing Committee is working on a report to the FSB and G20 regarding compliance by various jurisdictions with international standards set by IAIS, BCBS, and IOSCO on cooperation and information exchange. A list of non-cooperative jurisdictions will be produced and monitored by the end of 2010.
- Discussed the Guidance paper on the Guidance Paper on the Treatment of Non-regulated Entities. There has been coordination with IAIS and JFDNSR to ensure consistency of ideas given the corss-sectoral nature of the issue. In recognition of the importance of a timely response on this issue, the Subcommittee agreed on a process to fast track the adoption of the paper for Extraordinary General Meeting adoption February 19, 2010. Additionally, the Subcommittee provided direction to the drafting group for further additions and revisions. Ray Spudeck (FL) and David Vacca (NAIC) are participating in the drafting group for this paper.
- Discussed the first draft of the Group Supervision Framework (GSF) and provided direction to the drafting group. The paper provides a high-level overview of the GSF which could be used by jurisdictions to assess gaps in their frameworks.
- Discussed the ICP (Insurance Core Principles) Review and Coordination Process, including an update on the meeting of the IAIS ICP Coordination Group, coordination on group aspects across working parties, and heard reports from the fourg drafting groups. Ray Spudeck (SP) and David Vacca (NAIC) are on the drafting group for Standard on Exchange of Information.
- Discussed the status of the Guidance paper on Supervisory Recognition, which the drafting group has commenced drafting various sections of the paper and revised the current outline. Ray Spudeck (SP) and David Vacca (NAIC) are members of the drafting group.
- Discussed new workstreams on crisis management and supervisory resolution of cross-boarder entities, including a discussion on the Supervisory paper on Supervisory Cooperation on Crisis Management and the Issues Paper on Supervisory Resolution of Cross-border entities. David Vacca (NAIC) and Lin Yaotling (Japan) will help prepare a questionnaire for IAIS members.
- Discussed 2010-2011 roadmap and workplan of the IGSC, as well as the next Subcommittee meeting in Hyderabad in February 2010. Additionally, NAIC is sponsoring a 2010 IGCS Subcommittee meeting on September 7th-9th, in Washington, D.C.

Insurance Fraud Subcommittee [Commissioner Kim Holland (OK)]

- Met in Basel, Switzerland on July 21 and discussed revised roadmap and work plan for 2010.
- Began revising ICPs 27 (Fraud) and 28 (AML/CFT) and introduction of related Standards
- Continued review and revision of relevant supervisory papers as part of ICP review (e.g. Guidance papers on Anti-money laundering and combating the finance of terrorism, Combating the misuse of insurers for illicit purposes, Preventing, detecting and remedying fraud in insurance) – to be completed in 2010.

Market Conduct Subcommittee [Commissioner Kim Holland (OK)]

- Met on July 22 in Basel, Switzerland and discussed a revision of ICPs 24 and 25.
- The group discussed outlines for the Standards and Guidance Papers on Intermediaries, Pre-sale process.
- The group met again in Montreal, Canada on September 10 – 11 where the group discussed updated versions of the outlines and discussed the first draft of the guidance paper on intermediaries.
- The next meeting is scheduled for 14-15 December in Cairo, Egypt.

Reinsurance and Other Forms of Risk Transfer Subcommittee and Reinsurance Mutual Recognition Subgroup [Bob Kasinow (NJ)]

- Met on September 23-24 in Washington, DC. Members were asked to provide updates on recent developments in their jurisdictions. finalising proposed federal legislation which would help to implement the NAIC's reinsurance modernisation initiative. Next steps include the identification of a sponsor for the U.S. legislative process, which was met with interest from the other countries present.
- The Secretariat provided a review of the ICP coordination meeting and indicated how the ICP work will most likely affect further considerations in the RSC.
- The subcommittee reviewed the comments that were received related to the ICP, Standard and Guidance paper on reinsurance and other forms of risk transfer.
- The Secretariat provided a brief update on reinsurance-related considerations on systemic risk and stability issues. The Chair highlighted the need to ensure that it is clear that there are differences between the banking and the insurance/reinsurance world.
- The Secretariat gave a presentation on the results of the survey on market access requirements for reinsurers worldwide. Responses were received from or on almost 60 different jurisdictions, which provides a broad representation around the globe.
- Marcelo Ramella reported on the experience with the mid-year edition of the Global Reinsurance Market Report (GRMR), entitled "Developments in (Re)Insurance Securitisation," which was published at the end of August 2009.
- The next meeting of the Reinsurance SC & Mutual Recognition SG is scheduled to be held in Hyderabad, India 3-4 February, 2010.

Reinsurance Transparency Group [Bob Kasinow (NJ)]

- The RTG met in September in Washington and updated the RSC on the publication of the mid-year report and the press coverage received, as well as discussed the end-year report.

- There was discussion on future work of the RTG, especially in being able to comment on or provide empirical data related to the financial crisis.
- The next meeting of the RTG will be in February in Hyderabad

Solvency and Actuarial Issues Subcommittee (SSC) (Anne Kelly-NY; Kris DeFrain-NAIC; Ramon Calderon-NAIC)

- SSC will be meeting in San Francisco November 30-December 3rd in conjunction with the NAIC Winter Meeting
- IAIS Secretariat presented a draft revised structure of the Insurance Core Principles (ICP), in particular ICPs 14, 15, and 16 which need to be addressed by the SSC. The SSC will develop a proposal to address the revised ICPs and supporting standards.
- Further discussion was held regarding the Valuation of Assets/Liabilities project. The SSC chair will present to Technical Committee a proposal to seek a deferral on this project until 2011 since little progress has been made by the Joint Valuation group due to staffing/resources.
- The Standard and Guidance papers on Capital Resources were adopted by way of written procedure. Despite this recent adoption, the Standard on Capital Resources will be merged with the Standard on Capital Requirements into one "Capital Adequacy" Standard, but the Guidance papers on these two items will remain separate.
- Discussion was held regarding the expansion of the various solvency papers (which are largely on a "solo", legal entity, perspective) into "group" papers. Unresolved issues regarding process, definition of "group supervision", drafting approach, jurisdictional authority, among others, remain outstanding.
- Canada reported that revised Standard and Guidance papers on Investments have eliminated a discussion of Asset/Liability Matching (ALM); ALM has been incorporated into the Enterprise Risk Management papers.
- The U.S. submitted further revisions to its draft paper on Supervisory Monitoring by separating it into two documents: 1) Supervisory Reporting, and 2) Supervisory Review.

Implementation Committee

- Met in Rio, Brazil October 19 and received a report from the Chair on the strategic review note of standard implementation and assessment.
- The Chair discussed three major strategic issues - self assessment and peer review, interactive version of Core Curriculum and online learning, and translation initiative – previously discussed and agreed by the Ad hoc Working Group at its meeting on 8-9 September.
- A revised draft Roadmap which incorporates the discussions at the last meeting in June in Chinese Taipei was discussed and in light of member's comments regarding role of the Regional Coordinators the Chair requested the Secretariat to revise the Roadmap for Standard Implementation
- The Implementation Committee was asked to assess the safety and security of the venue for regional seminars and assess whether a venue is suitable to hold an IAIS training event. In making such an assessment, the Implementation Committee shall also consider risk assessments as provided by the host country.
- Richard Walker, Chair of MMOU Interim Signatories Working Group, presented the current status of the IAIS MMOU.

- Michael Oliver, Chair of the Regional Coordination Subcommittee, reported on the Regional Coordination Subcommittee (RCS).
- François Tempé (France), Chair of the Insurance Laws Subcommittee (ILS), reported on the survey results and other activities of the subcommittee.
- Norma Rosas, Chair of the Task Force on Information Gathering and Analysis (TFIG) provided an update on the work of the task force.
- The next meeting will be in Basel, Switzerland in February 2010.

Implementation Activities Approval Subcommittee

- Met in Rio, Brazil October 19 and received a report on budget requests for training seminars.
- The IAAS requested a stricter review of seminar proposals, in light of the guidance having been applied rather loosely in the past. All proposals were put on hold at the meeting.
- The group also received a report on revised guidance for regional seminars.
- The next meeting will be in February during the Triannual Meetings in Basel, Switzerland.

Task Force on Information Gathering and Analysis (TFIG)

- Met during the Rio Tri-annual on October 19 and discussed the allocation of tasks to the TFIG members. The NAIC is providing information for two chapters on utilization of basic analysis information techniques as part of the supervisory process and basic ratios that could support financial and technical supervision.
- The first draft of the Application Paper on Information Gathering will be in early 2010 and a final report is expected by October 2010.

Regional Coordination Subcommittee

- Met in Rio, Brazil October 19 and received Report on regional cooperation and training needs in the regions.
- Received a report on training expenditures and discussed reallocating the remaining \$50,000 to 2010.
- The Secretariat briefly reported the decision of the Implementation Committee on a revised “Guidance for the Organisation of IAIS Regional Seminars”.
- Report on the insurance laws databases and other activities of the insurance laws subcommittee.
- Discussion on the various educational initiatives, received an update on the enhanced translation initiative, the use of teaching notes and the development of case studies.

IAIS-MIN Joint Working Group on Microinsurance [Commissioner Oxendine (GA)]

- Met November 2 in Senegal.
- The Access to Insurance Initiative was launched in Rio during the IAIS Annual Conference in Rio de Janeiro on 22 October 2009-The website of the Access to Insurance Initiative is functional.
www.access-to-insurance.org
- Members provided an update on recent regulatory and policy initiatives in different jurisdictions

- Papers: Members were updated on the latest draft of the *Issues paper on the regulation and supervision of mutual organizations, in relation to microinsurance, in emerging economies* (October 2010) and informed that a revised draft of the paper shall be circulated to the JWG members before mid November with a request to provide comments by the end of November.
- Joint Working Group Work plan- the IAIS Executive Committee shall be approving the JWG work plan by written procedure in November 2009. The work on mutuals in 2010 and development of guidance on Microinsurance in 2011 will entail ssubstantive amount of work and no additional work is being suggested at this stage.
- Information on upcoming seminars: December 16, 17 2009 there will be a Regional Workshop on Microinsurance for MENA countries and June 1-3 the Financial Stability Institute plans to hold a conference on Microinsurance.
- Next meeting - February 2-3 2010: Hyderabad, India

Insurance Laws, Regulations, Practices & Standards Subcommittee

- Will meet December 8 & 9 to discuss results on the survey on the usage of the Insurance Law Database (ILD)
- Will discuss developing a tender to improve the ILS tool.
- The subcommittee will also discuss proposing to the Implementation Committee to allow public access to non-confidential parts of the DB

NAIC International Calendar
(**Bold** denotes active NAIC participation)

2009			
November 30-December 3	IAIS Solvency & Actuarial Issues Subcommittee	San Francisco, CA	IAIS
December 1-2	IAIS Governance and Compliance Subcommittee	Basel, Switzerland	IAIS
December 3-5	OECD – Insurance and Private Pensions Committee (IPPC)	Paris, France	OECD
December 4	IAIS Joint Valuation Working Group	San Francisco, CA	IAIS
December 5-8	NAIC Winter National Meeting	San Francisco, CA	NAIC
December 7-8	IAIS Insurance Contracts Subcommittee	San Francisco, CA	IAIS
December 8-9	IAIS Insurance Laws Subcommittee	Paris, France	IAIS
December 10	IAIS Financial Stability Committee	Basel, Switzerland	IAIS
December 10	IAIS Internal Structure Working Group	Basel, Switzerland	IAIS
December 11	IAIS Common Assessment Framework Task Force	Basel, Switzerland	IAIS
December 9-11	U.S.-India Financial & Economic Forum	New Delhi, India	US Treasury
December 14-15	IAIS Market Conduct Subcommittee	Cairo, Egypt	IAIS
2010			
January 17-19	IAIS Executive Committee	Miami, Fl	IAIS
January 24-28	IAIS Insurance Fraud Working Group	Budapest, Hungary	
January 26-27	CEIOPS Members’ Meetings	Frankfurt, Germany	CEIOPS
January 27-29	IAIS Insurance Contracts & IAIS Accounting Subcommittees	Sydney, Australia	IAIS
February 1-3	IAIS Solvency & Actuarial Issues Subcommittee	Hyderabad, India	IAIS
February 1-3	IAIS Insurance Groups and Cross-Sectoral Issues	Hyderabad, India	IAIS
February 2-3	IAIS Governance and Compliance Subcommittee	Washington, DC	IAIS
February 3-4	IAIS Reinsurance Subcommittee	Hyderabad, India	IAIS
February 22-23	IAIS Insurance Contracts Subcommittee	Basel, Switzerland	IAIS
February 24-26	IAIS Triannual Meetings	Basel, Switzerland	IAIS
March – 1 st wk	IAIS Market Conduct Subcommittee	Basel, Switzerland	IAIS
March – 1 st wk	IAIS Insurance Fraud Working Group	Basel, Switzerland	IAIS
March - Early	IAIS Solvency & Actuarial Issues Subcommittee	Cape Town, South Africa	IAIS
March 24-26	IAIS Insurance Contracts & IAIS Accounting Subcommittees	Tokyo, Japan	IAIS
March 26-29	NAIC Spring National Meeting	Denver, CO	NAIC
March 29-30	CEIOPS Members’ Meetings	Frankfurt, Germany	GEIOPS
April 13-14	IAIS Governance and Compliance Subcommittee	Rome, Italy	IAIS

April 19-22	ASSAL XXI Annual Assembly	Santiago, Chile	ASSAL
April – Mid	IAIS Reinsurance Subcommittee and Reinsurance Transparency Group	Hamilton, Bermuda	IAIS
April 27-29	IAIS Insurance Contracts Subcommittee	Kansas City, MO	IAIS
April – Late	IAIS Market Conduct Subcommittee	South Africa	IAIS
May 18 (2pm)	IAIS Insurance Groups and Cross-Sectoral Issues	Toronto, Canada	IAIS
May – Mid	IAIS Insurance Fraud Working Group	London, UK	IAIS
May - Late	IAIS Solvency & Actuarial Issues Subcommittee	Tokyo, Japan (tentative)	IAIS
June 3-4	OECD - Insurance and Private Pensions Committee (IPPC)	Paris, France	OECD
June 21	IAIS Global Seminar	Manama, Bahrain	IAIS
June 22-24	IAIS Triannual Meetings	Manama, Bahrain	IAIS
June 22-24	IAIS Accounting Subcommittee	Manama, Bahrain	IAIS
July 1-2	CEIOPS Members' Meetings	Tallin, Estonia	CEIOPS
July 5-6	IAIS Market Conduct Subcommittee	Kuala Lumpur, Malaysia	IAIS
July 7-8	IAIS Governance and Compliance Subcommittee	Kuala Lumpur, Malaysia	IAIS
July 26-28	IAIS Insurance Contracts Subcommittee (1 day) Accounting Subcommittee (2 days)	TBD, Europe	IAIS
August 14-17	NAIC Summer National Meeting	Seattle, WA	NAIC
September 7 (2pm) – 9	IAIS Insurance Groups and Cross-Sectoral Issues	Washington, DC	IAIS
September 7-8	IAIS Governance and Compliance Subcommittee	Quebec City, Canada	IAIS
September 9-10	IAIS Market Conduct Subcommittee	Quebec City, Canada	IAIS
September – Early	IAIS Insurance Fraud Working Group	Quebec City, Canada	IAIS
September - Mid	IAIS Solvency & Actuarial Issues Subcommittee	Sydney, Australia	IAIS
September - Mid	IAIS Insurance Contracts Subcommittee (1 day) Accounting Subcommittee (2 days)	Sydney Australia (tentative)	IAIS
September - Mid	IAIS Reinsurance Subcommittee	London, UK	IAIS
October 18-21	NAIC Fall National Meeting	Orlando, FL	NAIC
October 24-29	IAIS Triannual Meetings/Annual Conference	Dubai, UAE	IAIS
November	IAIS Insurance Groups and Cross-Sectoral Issues	Amsterdam, Netherlands	IAIS
November	IAIS Insurance Contracts Subcommittee (2 days) Accounting Subcommittee (2 days)	TBD, Europe	IAIS
November 9-10	CEIOPS Members' Meetings	Frankfurt, Germany	CEIOPS
December – Early	IAIS Market Conduct Subcommittee	Paris, France	IAIS
December – Early	IAIS Governance and Compliance Subcommittee	Paris, France	IAIS
December – Early	IAIS Reinsurance Subcommittee	TBD – USA	IAIS

2011			
March 26-29	NAIC Spring National Meeting	Austin, TX	NAIC
August 30- September 2	NAIC Summer National Meeting	Philadelphia, PA	NAIC
October	IAIS Triannual Mtgs / Annual Conference	Seoul, Korea	IAIS
November 3-6	NAIC Fall National Meeting	Washington, DC	IAIS

List of Abbreviations

AFIRC	Arab Forum of Insurance Regulatory Commissions
AITRI	ASEAN Insurance Training & Research Institute
ASSAL	Association of Latin American Insurance Supervisors
BIS	Bank for International Settlements
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors
CIRC	China Insurance Regulatory Commission
EU	European Union
FSF	Financial Stability Forum
FSI	Financial Stability Institute
FSWG	Financial Sector Working Group
GATS	General Agreement on Trade in Services
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
IAA	International Actuarial Association
IIF	Institute for International Finance
IFC	International Finance Corporation
IOPS	International Organization of Pension Supervisors
IOSCO	International Organization of Securities Commissions
MENA	"Middle East and North Africa"
NAFTA	North American Free Trade Agreement
NCOIL	National Conference of Insurance Legislators
OCC	Office of the Comptroller of the Currency
OECD	Organization for Economic Cooperation and Development
OGIS	Offshore Group of Insurance Supervisors
WTO	World Trade Organization

National Supervisory Authorities:

Belgium	Commission Bancaire, Financiere et des Assurances (CBFA)
India	India Insurance Regulatory and Development Authority (IRDA)
Italy	(ISVAP)
Korea	Financial Supervisory Service (FSS)
Japan	Financial Services Agency (FSA)
UK	Financial Supervisory Authority (FSA)
France	French Supervisory Authority (ACAM)
Brazil	Supervisory Authority of Brazil (SUSEP)
Australia	Australian Prudential Regulatory Authority (APRA)
Hungary	Hungarian Financial Supervisory Authority (HFSA)

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