

NAIC INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE

STRATEGY & ACTION PLANS¹

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I. International Standard Setting

International Association of Insurance Supervisors

The International Association of Insurance Supervisors (IAIS) is the principal international organization of insurance supervisors, engaged in creating international standards of insurance supervision, and implementing the standards in the member jurisdictions (over 100 countries)

Action Plan

- 1) **Priorities:** The International Insurance Relations (G) Committee establishes internal referrals to the relevant NAIC committees; updates the IAIS priority list, and recommends policy guidance.
- 2) **Representation:** With input from the G Committee, the Officers appoint NAIC representatives to IAIS “priority” committees:
 - a. **Executive** - Cmsrs. Cline (WV), McCarty (FL); George Brady (NAIC) (support: Ryan Workman)
 - b. **Financial Stability Committee** – Cmsr. McCarty (support: George Brady, Gita Timmerman)
 - c. **Internal Structure Working Group** – George Brady (support: Ryan Workman);
 - d. **Audit Committee** – George Brady (NAIC)
 - e. **Budget** – Ryan Workman (NAIC)
 - f. **Technical** – Cmsr. McCarty (support: NAIC/DC, NAIC/FRS)
 - g. **Reinsurance** – Bob Kasinow (NJ) (support: Ryan Couch, Dan Schelp)
 - h. **Solvency** – Ramon Calderon (Vice Chair), Joe Fritsch (NY) (support: Kris DeFrain)
 - i. **Insurance Contracts (Accounting)** – Rob Esson (chair), Ramon Calderon (NAIC)

¹ Last updated: August 2010

- j. **Governance & Compliance** – Andrew Stolfi (IL) (support: Ryan Workman, Dan Daveline)
- k. **Insurance Groups & Cross-Sectoral Issues** – Ray Spudeck (FL) (support: David Vacca; Gita Timmerman)
- l. **Common Assessment Framework Task Force** – Rob Esson (support: Ryan Workman)
- m. **Joint Working Group on Microinsurance** – Cmsr. Ross (support: Gita Timmerman)
- n. **Market Conduct** – Mike Ridgeway (OK) (support: Ryan Workman)
- o. **Insurance Core Principles (ICP) Coordination Group** – Rob Esson, Ramon Calderon (support: Ryan Workman)

3) **Policies:**

a. Standard Setting: The NAIC will:

- i. Promote U.S. regulatory principles, and critically review alternatives, in the development of international standards for insurance supervision;
- ii. Volunteer to participate in IAIS training seminars with international insurance experts in MOU jurisdictions;¹ and
- iii. Consult with U.S. industry and consumers in the development of policy positions.

a. Administration: The NAIC will:

- i. Oversee the structure of annual dues consistent with NAIC interests; and,
- ii. Urge further coordination with OECD and FSB on role in market surveys and analysis.

¹ MOU Countries: Brazil, China, Egypt, Hong Kong, Iraq, Russia, South Korea, Thailand, Vietnam & ASSAL.

1) **Internal referrals** of IAIS committees to related NAIC committees:

- a. *Solvency* to International Solvency (EX) Working Group;
- b. *Insurance Contracts (Accounting)* to International Accounting (EX) Working Group;
- c. *Reinsurance* to Reinsurance (E) Task Force;
- d. *Market Conduct* to Market Regulation and Consumer Affairs (D) Committee
- e. *Insurance Fraud* to Anti-Fraud (D) Task Force;
- f. *Insurance Groups* to Group Solvency Issues (EX) Working Group & Supervisory College Subgroup;
- g. *Executive, Technical, Budget, Financial Stability, Internal Structure* to International Insurance Relations (EX) Leadership Group and International Insurance Relations (G) Committee;
- h. *Governance & Compliance* to Corporate Governance Subgroup of SMI (EX) Task Force;
- i. *ICP Coordination Group* to International Insurance Relations (G) Committee;
- j. *Common Framework for the Supervision of Internationally Active Insurance Groups* to International Insurance Relations (EX) Leadership Group and International Insurance Relations (G) Committee;
- k. *Implementation Committee, Regional Coordination, Joint Working Group on Microinsurance* to International Regulatory Cooperation (G) Working Group

2) NAIC representation:

- a. **Priority 1 committees and working parties** - Commissioner or senior staff as principal representative (Executive, Technical, Implementation Solvency, Insurance Contracts, Reinsurance, Reinsurance Transparency, Governance & Compliance, Working Party Chairs, Insurance Groups, Insurance Core Principles, Financial Stability, Market Conduct, Microinsurance, Common Assessment Framework, Internal Review, Implementation);
- b. **Priority 2 committees** – NAIC staff as principal representative (Fraud, Budget, Accounting); and
- c. **Priority 3 committees** – NAIC staff to monitor (Laws & Regulations, Pension Coordination, Regional Coordination).

Organization for Economic Cooperation & Development (OECD)

The Insurance and Private Pensions Committee (IPPC) of the Organization for Economic Cooperation and Development (OECD) gathers 31 developed countries in semi-annual meetings to discuss a variety of issues. The U.S. delegation is headed by the U.S. Department of Commerce, with participation by the NAIC and representatives from the U.S. private sector.

Action Plan

At the **OECD IPPC meetings**, the NAIC should:

- 1) Report on regulatory and market developments of interest and relevance to IPPC members;
- 2) Influence the development of insurance sector studies and analyses to ensure a fair and accurate representation of the U.S. system;
- 3) Support private sector efforts to encourage OECD work in the creation of well-regulated, competitive insurance markets, and education on the benefits of insurance to economic development; and
- 4) Oppose OECD initiatives which overlap with international standard setting undertaken at the IAIS or Joint Forum, or which are inconsistent with the U.S. regulatory system.

Joint Forum

The Joint Forum is comprised of banking, securities and insurance regulators from the Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO) and the IAIS. The Joint Forum is focused on the analysis of regulatory issues that apply across the financial sectors.

Action Plan

- 1) The International (G) Committee should:
 - a. Provide input to the Officers on selection of a Commissioner to attend all meetings of the **Joint Forum** as representative of the IAIS; and
 - b. Influence the research and development of papers on cross-sectoral financial regulatory issues.
- 2) The NAIC participation, and comments on draft projects, should be coordinated by the International Insurance Relations (G) Committee, with input from other NAIC committees.

Financial Stability Board

The Financial Stability Board (FSB) convenes financial sector regulators and policymakers from highly developed countries², and representatives of international bodies³ including the Basel Committee, IOSCO, and the IAIS.

The United States is represented by the Federal Reserve Board, the U.S. Department of Treasury and the Securities and Exchange Commission (SEC).

In the past, the NAIC participated in FSB meetings as chair of the IAIS, representing the insurance sector. Whenever the NAIC does not chair the IAIS Executive Committee, the NAIC should seek to participate as a member of the U.S. delegation to the FSB.

Action Plan

The NAIC should:

- 1) Continue to cooperate with U.S. regulatory agencies on the **Financial Stability Board** delegation;
- 2) Participate actively in the IAIS Financial Stability Task Force; and
- 3) Seek inclusion of the NAIC in the U.S. delegation to the FSB meetings and participate, where appropriate, on FSB Standing Committees.

II. INTERNATIONAL TRADE

The NAIC Trade Task Force coordinates NAIC's regular interaction with the Office of the U.S. Trade Representative (USTR) to advise the trade negotiators of U.S. insurance regulatory practices in the context of multilateral (General Agreement on Trade in Services (GATS)), regional, and bilateral trade agreements. The NAIC has established a regular dialogue with U.S. industry and USTR specifically designed to address non-prudential U.S. regulatory barriers to

² United States, Canada, Japan, Australia, United Kingdom, Germany, France, Italy, Singapore, Hong Kong, Spain, European Commission.

³ International Financial Institutions (World Bank, International Monetary Fund (IMF), Organization for Economic Cooperation and Development (OECD)), International Regulatory and Supervisory Groupings (IAIS, IOSCO, BCBS, Financial Action Task Force (FATF), Joint Forum, International Federation of Accountants (IFAC)) Committee on the Global Financial System, European Central Bank.

trade, including reviewing the remaining GATS reservations in light of regulatory modernization efforts to assist USTR with fruitful negotiations.

In connection with U.S. trade negotiations, the NAIC should work closely with the U.S. industry and federal trade officials to fully understand:

1. U.S. industry's business objectives in other countries
 - The regulatory structure in place; and
 - The U.S. government's overall trade policies.

Action Plan

The NAIC should assist in the efforts of U.S. industry and the U.S. government to:

- Open and maintain competitive, transparent, well-regulated markets;
- Enhance the stability of regulatory practices in those countries;
- Eliminate unnecessary "reservations" to U.S. trade commitments; and
- Enhance consumer protections.

NAFTA

The NAFTA Subgroup coordinates the NAIC's participation in the NAFTA Trilateral Insurance Working Group and the Financial Services Committee in the context of NAFTA and the Security and Prosperity Partnership.

Action Plan

The NAIC should continue to participate in the NAFTA Trilateral Insurance Working Group to address cross-border insurance issues with Mexico and Canada. With regard to discussions involving regulation of cross-border insurance:

- The NAIC should preserve the rights of states to supervise insurance in U.S., while exploring opportunities for "mutual recognition" with Canada and Mexico; and
- The NAIC should work toward eliminating unnecessary barriers to cross-border insurance in North America.

III. REGULATORY COOPERATION

The NAIC engages in regulator-to-regulator dialogues with non-US regulators as a way of addressing issues of mutual concern. The principal objectives of these discussions are to facilitate information needs regarding cross-border insurance services; to coordinate policy and standard setting activities; and to address current regulatory issues and debates.

Action Plan

- 1) **Europe:** The NAIC should maintain regular (minimum twice per year) regulator-to-regulator dialogues with EU insurance supervisors to address issues of mutual concern and to:
 - a. Educate each other about our regulatory systems, and discuss domestic regulatory issues;
 - b. Determine if there are opportunities for “mutual recognition” or equivalence;
 - c. Coordinate EU and NAIC involvement in international fora, such as IAIS, OECD, Joint Forum, and FSB;
 - d. Explore ways of achieving convergence of insurance supervision; and
 - e. Facilitate exchange of information among regulators to enhance domestic regulation.
- 2) **Other Regulators:** The NAIC should meet often with regulators from other countries, as issues arise.
 - a. Countries include: Bermuda, Canada, Chinese Taipei, India, Mexico, Japan, Switzerland, and MOU countries including ASSAL (Latin American region), Brazil, China, Egypt, Hong Kong, Iraq, Russia, South Korea, Vietnam, and Thailand.
- 3) **Other Dialogues:** The NAIC should participate in fora on international financial and regulatory policy together with other U.S. financial regulators.
 - a. Where financial regulatory “principals” participate, the NAIC should be represented by a Commissioner or senior department staff; and
 - b. Where financial regulators are represented by staff, NAIC should be represented by NAIC International Relations staff.

Technical Assistance

The NAIC should engage in meaningful technical assistance activities, preferably in collaboration with (and funded by) other organizations (e.g., World Bank). Opportunities arise throughout the year to participate in training programs abroad. The NAIC has signed 11 Memoranda of Understanding for regulatory cooperation with insurance supervisors around the world, including with: Iraq, Egypt, Russia, Brazil (SUSEP⁴ & ANS⁵), China, Vietnam, Hong Kong, Korea, the ASSAL (Association of Latin American Insurance Supervisors) and Thailand.

The NAIC also conducts an International Internship Program, which, since 2004, has placed insurance regulators from other countries in state insurance departments for on-the-job training. Initially instituted pursuant to an MOU with the China Insurance Regulatory Commission, the program has placed 118 participants from 22 countries. Since the China-Pilot program began in 2004, professionals from the following jurisdictions have participated in the NAIC International Intern Program:

⁴ Superintendência de Seguros Privados

⁵ Agência Nacional de Saúde Suplementar

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

To date, 27 U.S. jurisdictions have hosted non-US 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.

Action Plan

1. The NAIC should continue to offer an **International Internship Program** for non-US regulators twice per year
 - a. Participants cover their own costs;
 - b. NAIC provides a scholarship program for up to 50% of interns' costs (two scholarships per semester per year);
 - c. NAIC covers the costs (lodging) of five interns from China Insurance Regulatory Commission (CIRC) through 2010; and
 - d. NAIC contributes in kind in the form of an orientation program in Kansas City, and overall program management.
2. NAIC should participate in training programs abroad:
 - a. When they coincide with Member participation in local meetings (e.g., IAIS training seminars held in conjunction with triannual meetings); or,
 - b. When they involve MOU countries.
3. **Representatives:**
 - a. NAIC should be represented at technical assistance meetings by Commissioners and Senior Department Staff, according to:
 - i. Prior participation in meetings with the jurisdiction's regulators; and,
 - ii. Special language and/or other relation to the jurisdiction.
 - b. Prior to agreeing to participate, NAIC Staff should determine whether costs are covered by the host, or whether another source of funding from a government or non-profit entity is available.
4. NAIC should develop an International Training Curriculum for delivery to non-U.S. regulators and encourage the participation of non-U.S. regulators in existing NAIC training programs.