Welcome and Opening Remarks for
Senator Nelson

Vice Commissioner Kono, I am very pleased to be here today for the first National
Association of Insurance Commissioners (NAIC) – Financial Services Agency of Japan
(FSA) Insurance Regulatory Dialogue, along with my colleagues from the NAIC. It is a
pleasure to see you again and to visit you in Tokyo. I really appreciated your visit to Omaha,
NE last October and our fruitful dialogue. I am very encouraged that we have been able to
move forward on our joint commitment from October to launch this dialogue in early 2014.
These recurring exchanges are essential to enhancing supervisory understanding between our
respective jurisdictions, facilitating information-sharing, coordinating standard setting
activities, addressing current regulatory issues and ultimately successfully improving
insurance regulation everywhere.

The insurance sector plays a critical role in promoting economic development which creates
jobs at home and abroad. As the regulators of the two largest insurance markets in the world,
it is important to have these bilateral dialogues on a more formal and more regular basis.
With continued growth of the cross-border business by both Japanese and US insurers in our
respective markets, a solid and productive relationship between the supervisors and a good
understanding of one another’s supervisory approaches is essential to ensure effective
supervision and stable insurance markets. The NAIC is proud to launch this new dialogue
here today in Tokyo, Japan, and we look forward to this becoming a recurring regulator to
regulator dialogue.

If the financial crisis has taught us anything, it is that insurers face a wide and growing range
of significant risks that have the potential to threaten their solvency. Therefore, the
identification, assessment, testing and monitoring of current and prospective solvency risks
facing insurers is of vital importance to regulators world-wide. Increased regulatory
collaboration and cooperation strengthens well-regulated and competitive markets, providing
policyholders better choices and stability. As part of our mission at the NAIC, we are working
to continue to advance best practices and enhance the efficiency and effectiveness of insurance
regulation and supervision.

The NAIC and its members have long been committed to providing leadership on a wide
range of global insurance issues and activities, with a focus on ensuring policyholder
protections and maintaining stable insurance markets. Our system is not static – it continues to
evolve based on insights we gather from monitoring our market and our efforts are enriched by
our active involvement in international discussions. We do not pretend to have all the answers
or have a perfect system, and we continue to learn from our international colleagues, as we hope they too learn from us.

As the International Association of Insurance Supervisors (IAIS) continues its efforts to develop risk-based global insurance capital standard (ICS) for internationally active insurance groups (IAIGs), U.S. state insurance regulators recognize these developments at the IAIS and have committed to work constructively towards the goal of developing an ICS that works for all jurisdictions. We believe that these objectives are not easily achieved and will require significant resources over many years and close cooperation between the U.S. and Japan as well as other IAIS Members. The timelines for the various goals should be driven by the IAIS Members based on resources available and achieving high-quality results.

Ultimately, the objective of a global ICS should be enhancing the efficacy of capital requirements in order to help facilitate solvency systems in developing markets be on par with, though not necessarily identical to, such systems in developed markets.

Thank you to the Financial Services Agency of Japan for hosting us here in Tokyo and giving us an opportunity to hear more about the reforms which you are currently undertaking and for allowing us to share with you the changes we are currently implementing through our SMI process in addition to a discussion around international standard setting. We look forward to your visiting us in the U.S. later this year so that we might repay the hospitality you have shown us.
Welcome and Opening Remarks

Masamichi Kono, FSA

On behalf of the FSA, I would like to extend our warm welcome to the high-level delegation of the NAIC led by the Honorable Senator Ben Nelson. Last October, you kindly extended your warm hospitality to us upon our visit to Omaha, and it is our great delight to be able to reciprocate this time. At that time, we agreed to have regular bilateral dialogue between the NAIC and FSA, and we have the pleasure of launching such a dialogue today.

The insurance industries of the US and Japan are the largest markets of the world, and taken together, account for close to half of the total of global insurance markets when measured by insurance premiums. Given this reality, and given the recent growth in cross-border activities of both US and Japanese insurers, we find it an imperative that the regulatory authorities of the two jurisdictions work even more closely than before.

We find ourselves very close to the US not just because of such market realities, but also because our risk based solvency requirement is modeled after the US regime, since the US first introduced risk-based solvency regimes in the early 1990s, and we followed suit soon after.

In Japan, the financial crisis of the 1990s and the early part of this century resulted in the failure of a number of medium- or small-sized insurance companies, and prompted us to upgrade our regulation and supervision of insurance companies, as well as to develop a robust safety net for policyholders. For example, during this period, we introduced a system of consolidated supervision for insurance groups, and strengthened our solvency requirement for insurance companies. The policyholder protection fund was substantially strengthened.

The need to strengthen international cooperation among insurance regulators has also been a long-standing issue for regulators, but the most recent global financial crisis has added urgency to our work to address this issue.

Financial stability is now a key consideration in the day-to-day supervision of insurance regulators as well. As you are very much aware, the work to address systemically important insurers is progressing at the IAIS and FSB. Work to develop international capital standards for insurers has also started. Group supervision has become a necessity, as insurance groups expand their businesses across sectors and transcend state and national borders. Work to enhance the intensity and effectiveness of the supervision of insurers is also gathering pace. An effective framework to enable the orderly resolution of systemically important insurers
has become a matter of priority for regulators worldwide.

In the face of these and other challenges for insurance regulators, I think it would be particularly helpful for our respective authorities to exchange information, learn from each other’s experiences, and work together to enhance cross-border supervisory cooperation. We may also discuss our views on the work towards development of international standards at the IAIS and FSB, and, where possible, and develop common positions in this regard.

Thank you for travelling long distances to spare your precious time with us, and I look forward to a productive discussion today.