

**INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE**

**Conference Call**

**Thursday, September 28, 2017**

**4:00 p.m. Eastern**

**ROLL CALL**

Katharine L. Wade, Chair	Connecticut	Bruce R. Ramge	Nebraska
Gordon I. Ito, Vice Chair	Hawaii	Richard J. Badolato	New Jersey
Stephen C. Taylor	District of Columbia	Maria T. Vullo	New York
David Altmaier	Florida	John D. Doak	Oklahoma
Doug Ommen	Iowa	Jessica Altman	Pennsylvania
James J. Donelon	Louisiana	Raymond G. Farmer	South Carolina
Gary Anderson	Massachusetts	TBD	Texas
Patrick M. McPharlin	Michigan		

**AGENDA**

1. Discuss Draft NAIC Comments on International Association of Insurance Supervisors Revised Insurance Core Principle 24—*Commissioner Katharine L. Wade (CT)* Attachments A and B
2. Discuss Any Other Matters Brought Before the Committee—*Commissioner Katharine L. Wade (CT)*
3. Adjournment

## IAIS Revised ICP 24 Macroprudential Surveillance - NAIC Draft Comments

September 26, 2017

Section/Paragraph	Comment
24.0.1 to 24.0.4	<p>24.0.1 spells out the goal of macroprudential surveillance as minimizing the incidence and impact of disruptions in the provision of key products and services that can have adverse consequences for the real economy and broader implications for economic growth.</p> <p>24.0.2 defines systemic risk the same as the IMF - the risk of disruption to financial services caused by impairment of all or parts of the financial system and that has potential serious negative consequences for the real economy.</p> <p>24.0.3 does not reference systemic risk (and there seems to be a bullet missing for the item after “and” following the second bullet.</p> <p>24.0.4 references systemic risk in saying that macroprudential surveillance relating to insurance has regard to insurers being potential originators, recipients of and possible amplifiers to systemic risk.</p> <p>The order of these paragraphs and inconsistent usage of “systemic risk” is confusing. Much of what is in 24.0.2 is already stated in 24.0.1 so it is unclear how these relate – are all disruptions systemic risks or are systemic risks one type of disruption that macroprudential surveillance is intended to minimize? Suggest deleting 24.0.2 or otherwise revising/reordering this paragraph so it ties in better with the concepts being explained in the introductory guidance.</p>
24.1.1	The collection of data itself cannot limit systemic risk; suggest: “The supervisor collects information in a manner proportionate to the nature, scale and complexity of insurers <u>to identify systemic risk concerns.</u> ”
24.3.2	With respect to the last sentence, suggest some additional guidance may be helpful explaining how one can qualitatively assess something that “cannot be quantified.”
24.3.4, second bullet	Suggest some clarification is needed. It seems the sequential execution of reviews over a long period of time would likely result in fewer and fewer insurers as outliers, which would be the goal of the regulatory review for a particular risk item. It seems the issue of concern in this instance would be if insurers have shifted the risk to another area that was not being reviewed.
24.5	Does the term “financial stability” need to be defined so all jurisdictions have a common understanding?
24.5.4	Supervisory discretion is required here. There are situations one can imagine where requiring a specific insurer to take an action to promote financial stability would not be in the best interests of policyholders of that specific insurer; in fact, that action could promote instability within the specific insurer. Suggest: “The supervisor should communicate the findings of its assessment as appropriate to either <u>individual</u> insurers or the industry and, <u>if appropriate</u> , require insurers to take action necessary...”
24.5.5, first 2 bullets	The first bullet is “enhanced reporting” and the second bullet is “enhanced confidential and/or public disclosures”. What would be included in “enhanced reporting” that would not be captured by the second bullet? Suggest this could be clarified.
24.7.2	<p>The “and” after the second bullet should be moved to the end of the third bullet.</p> <p>The third bullet is either missing a word(s) or else delete “that the” before “relevance of these”</p>

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**Comments received from Property Casualty Insurers Association of America:**

PCI appreciates the opportunity to respond to the NAIC's draft comments on the IAIS' ICP 24 consultation. We greatly appreciate the leadership the NAIC has shown in chairing the IAIS' Macroprudential Surveillance Working Group, and the Working Group's openness to stakeholder participation.

Our primary concern is that the revision of ICP 24 is premature, since the IAIS is committed to developing an activities-based approach for systemic risk in insurance. We note that the Systemic Risk Assessment Task Force is expected to release its consultation draft on an activities-based approach in November, and this is likely to be subject to significant discussion and additional work between now and 2019. After the SRATF has finished its work, we strongly suspect that the provisions of ICP 24 will need to be amended again. Therefore, we strongly urge the NAIC to work with the IAIS to postpone the review of ICP 24 until after the work on the activities-based approach has been concluded. We would further expect the IAIS to consult stakeholders on further revisions to the revised ICP 24 (and potentially other ICPs) following the conclusion of the work of the Systemic Risk Assessment Task Force.

We also believe that Standards 24.6 and 24.7 fall within the purview of the Systemic Risk Assessment Working Group, and that guidance on issues of identification of systemic activity should be left to the SRATF.