

Draft: 12/7/16

International Insurance Relations (G) Committee
Conference Call
November 1, 2016

The International Insurance Relations (G) Committee met via conference call Nov. 1, 2016. The following Committee members participated: Julie Mix McPeak, Chair (TN); Ted Nickel, Vice Chair (WI); Katharine L. Wade (CT); David Altmaier (FL); Gordon I. Ito (HI); Nick Gerhart (IA); James J. Donelon represented by Tom Travis (LA); Daniel R. Judson (MA); Patrick M. McPharlin (MI); Monica J. Lindeen (MT); Bruce R. Ramge (NE); Richard J. Badolato (NJ); Maria T. Vullo (NY); John D. Doak (OK); and David Mattax represented by Doug Slape (TX).

1. Adopted its 2017 Proposed Charges

Commissioner McPeak noted that, in preparation for the Fall National Meeting, the International Insurance Relations (G) Committee needs to review and consider adoption of its 2017 proposed charges. She said that while it appears there are many revisions proposed in the wording of the charges for the Committee and its working groups, the substance of the work remains the same and the wording was updated to better reflect current activities and processes.

Steve Broadie (Property Casualty Insurers Association of America—PCI) inquired about the elimination of wording in the existing charges that refers specifically to transparency at the International Association of Insurance Supervisors (IAIS).

Commissioner McPeak responded that there is a strong record of the NAIC's support of increased transparency at the IAIS, noting that this would continue regardless of whether there is a specific reference in the Committee's charges. She noted the IAIS is finalizing a stakeholder engagement plan to enhance communication and transparency that will be made public soon. Ryan Workman (NAIC) noted that the revisions incorporated into the 2017 proposed charges were designed to be less specific with regard to particular organizations and to instead focus more on Committee activities.

Commissioner Altmaier made a motion, seconded by Commissioner Badolato, to adopt the Committee's 2017 proposed charges (Attachment A). The motion passed.

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

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Draft: 12/7/16

International Insurance Relations (G) Committee
Conference Call
October 14, 2016

The International Insurance Relations (G) Committee met via conference call Oct. 14, 2016. The following Committee members participated: Julie Mix McPeak, Chair (TN); Ted Nickel, Vice Chair (WI); Katharine L. Wade (CT); David Altmaier (FL); Gordon I. Ito (HI); James J. Donelon (LA); Bruce R. Ramge represented by Darrin Riha (NE); Richard J. Badolato represented by Felix Schirripa (NJ); Maria T. Vullo represented by Martha Lees (NY); John D. Doak represented by Donna Wilson (OK); and David Mattax represented by Doug Slape (TX).

1. Agreed to Submit NAIC Comments on IAIS Insurance Capital Standard Consultation Document

Commissioner Nickel explained that the purpose of the call was to discuss the draft NAIC comments on the International Association of Insurance Supervisors' (IAIS) risk-based global insurance capital standard (ICS) version 1.0, which is out for public consultation through Oct. 19.

Commissioner Nickel said the 2016 consultation document is the second IAIS consultation in a multi-year process to develop the ICS, which will be part of the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame). The first ICS consultation occurred in December 2014 and the ongoing IAIS field testing, which began in 2014, has helped to inform the development of the ICS.

Commissioner Nickel noted that this consultation is intended to solicit feedback on three key components of the ICS: 1) valuation methodologies; 2) qualifying capital resources; and 3) the implementation of risk-based approaches to determining regulatory capital requirements. He said the focus of ICS version 1.0 is on a standard method, with consideration of other methods of calculating the ICS capital requirement to be addressed in version 2.0.

He added that, given the importance and complexity of the development of the ICS, the process for reviewing and developing NAIC comments on the consultation document began early. He noted that, at the Summer National Meeting, the ComFrame Development and Analysis (G) Working Group reviewed a list of consultation questions to which the NAIC planned to respond. He said the Working Group then held a three-hour meeting and conference call Sept. 27 to discuss the draft NAIC responses to the consultation questions. He noted that Committee members were invited to participate in this meeting.

Commissioner Nickel said that a number of comments from regulators and interested parties were received at the Sept. 27 Working Group meeting, and that in advance of this call, a revised version of draft NAIC responses on the consultation document was circulated for review and additional input. He noted that, based on the input received, revisions to the draft responses on a few of the consultation questions were made. He said no other additional input was received in advance of the call.

Ramon Calderon (NAIC) provided an overview of the redline changes to the NAIC draft responses to the consultation questions, noting that most were intended to clarify or elaborate on the draft responses.

Steve Broadie (Property Casualty Insurers Association of America—PCI) commented that the 2014 ICS consultation document included questions on the target level of the ICS for field testing, such as whether to use a 99.5% confidence level over a one-year time horizon, and asked when the decision on the target level had been made, as there had been no consultation on the decisions reflected in the 2016 ICS consultation document. Ned Tyrrell (NAIC) replied that positions on the target level were addressed by the IAIS in its resolution of comments on the 2014 consultation document, but noted that the IAIS is still trying to determine what the target levels actually mean. Commissioner Nickel proposed including a general comment on the need for the IAIS to continue discussions on this issue, as there are many questions on calibration and differences amongst jurisdictions in their understanding and views on application of the target criteria.

Jeff Alton (CNA Financial) commented that the consultation document refers to the ICS as a minimum standard to which supervisors could add additional capital requirements and raised the concern that this could result in jurisdictions taking the gold standard and “platinum plating” it. Mr. Tyrrell responded that the idea of the ICS being a minimum standard is not new.

Michelle Rogers (National Association of Mutual Insurance Companies—NAMIC) commented that the consultation document contains a number of questions on valuation and discounting for non-life reserves and said her understanding was that there would be more clarity on these issues at this point.

Commissioner Altmaier made a motion, seconded by Commissioner Donelon, to submit the NAIC responses to the IAIS on its ICS version 1.0, including the additional general comment as proposed (Attachment A). The motion passed.

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

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