

# International Report



**Issue No. 18**

**December 2004**



## **NAIC Hosts Interns from China**

Under the NAIC's International Regulatory Cooperation Program, this fall 5 states will host insurance experts from the China Insurance Regulatory Commission (CIRC) under the NAIC's China Intern Pilot Program. The interns will be placed in the states in positions where they will be actively involved in the day-to-day activities of regulators in their respective areas of expertise. The areas of focus for the interns will be actuarial (life) standards, intermediary regulation, legal affairs, solvency requirements and accounting, and information disclosure for insurers. States that will participate as hosts of the interns include Texas, Hawaii, California, New Mexico, and Arkansas.

Under a program designed by the International Training Task Force of the Regulatory Cooperation (G) Working Group, the interns will start in Kansas City where they will receive orientation to the U.S. insurance market and supervisory practices, as well as an introduction to the NAIC. After the training in Kansas City, the interns will travel to their respective states where they will be placed in positions relevant to their expertise under the guidance of a mentor assigned by the state. The China Intern Program Task Force will conduct regular conference calls throughout the 4-week internship, to closely monitor the progress of the program and to get feedback from and provide guidance to both the interns and the states.

After four weeks in the states, it is expected that the interns will attend the NAIC Winter National Meeting in New Orleans, before completing the internship program with a debriefing session in Washington, D.C. In Washington, the NAIC will also host a recognition ceremony for the interns, inviting representatives of the Washington diplomatic community.

The Regulatory Cooperation Working Group has proposed a continuation of the internship program in 2005, when it is hoped that arrangements can be made to make these opportunities available to interns from other jurisdictions. The Working Group will be looking for states to volunteer to participate in the program – in past experiences hosting interns from abroad, several Commissioners have noted the great value not only to the interns but also to members of the state insurance departments who interact with the interns, providing staff with first-hand access to experiences in insurance supervision from around the world.

## **Philip Barlow (DC) Participates in Life Insurance Conference in India**

*“Regulatory Best Practices and Emerging Trends in Life Insurance”*

Philip Barlow of the Department of Insurance, Securities and Banking Regulation for the District of Columbia participated in a conference on “Regulatory Best Practices and Emerging Trends in Life Insurance” in Hyderabad, India on September 30, 2004. The conference was sponsored by the life insurance trade association and primarily attended by life insurance company employees. Philip gave a presentation on U.S. life risk based capital. The following day, he gave a longer version of the presentation to the staff of India’s Insurance and Regulatory Development Authority (IRDA).

Both the conference and meeting with the regulatory staff generated many pertinent questions and attendees seemed to benefit from NAIC participation. There was skepticism from both the industry and regulators about the need for a process as detailed as U.S. risk based capital. It was very clear that the U.S. life insurance market was the model used for comparison in that part of the world. There were speakers at the conference from India and other countries in the region and almost all referenced US products or regulatory practices and few other countries were mentioned.

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## **Paul Yuen (HI) Participates in Health Insurance Conference in India**

*“A Billion Lives to Cover - Working Together to Expand Health Insurance in India”*

Paul Yuen, Supervising Attorney with the Hawaii Insurance Division participated in a conference exploring health insurance issues held from October 27-29, 2004, at the Taj Krishna Hotel in Hyderabad, India. It was organized by BearingPoint and sponsored by India's Insurance Regulatory and Development Authority (IRDA) and the United States Agency for International Development (USAID). Approximately 175 professionals from the public and private sectors attended the conference.

All the conferees demonstrated a working knowledge of the problems caused by the unavailability of a national health insurance program. The objectives of the conference were to:

1. Increase understanding of the current state of the health insurance market;
2. Understand where the development of the market is occurring;
3. Gain knowledge and understanding of the barriers to the development of this market;
4. Gain knowledge and understanding of potential solutions to the elimination of these barriers;
5. Promote knowledge and understanding of what has been done in other countries with experience that is relevant to India to increase coverage of their populations; and
6. Provide an opportunity to expand the participants' network of contacts and potential colleagues among those working in the health insurance industry.

The ultimate goal of India is to expand coverage across all income groups within the country while involving all stakeholders in the planning and implementation of the program.

The presentations in two and a half day conference were grouped into the following topics:

- Major new government initiatives;
- Overview of current health coverage in India, Barriers to expanding coverage, and recent developments;
- Lessons from around the globe for expanding coverage: developed countries;
- Lessons from around the globe for expanding coverage: developing countries;

- Health insurance model for the poor;
- International developments in regulation of health insurance;
- Insurance products and distribution;
- Changing roles of TPAs and their relationships with insurers, health service providers, and government;
- Micro health insurance in India;
- Tackling the data problem; and
- Summing up: challenges and opportunities.

The variety of the topics represents the myriad of problems India faces in implementing a universal health insurance program. Some of the conferees expressed skepticism that this will be accomplished anytime soon. There are enormous regulatory, economic, industry, provider network, and coverage issues which must be overcome. While the conferees are determined in overcoming these obstacles themselves as a matter of national pride, interest, and duty, they do realize that the availability of international assistance and experiences are important resources which can be utilized in their planning and decision making.

The organizers of the conference expressed gratitude for NAIC's assistance in this and on other insurance issues and will most likely request its continued support.

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## **OECD Insurance Committee Meets**

The Insurance Committee of the Organization for Economic Cooperation and Development (OECD) met July 7-8 in Paris, following meetings of related working groups on terrorism insurance and solvency. As part of a delegation led by the U.S. Department of Commerce, the NAIC was represented at the meetings by Director Ernst Csiszar, Superintendent Al Iuppa, and Cathy Weatherford.

The Insurance Committee held a roundtable discussion on new trends and developments in insurance supervision. As part of the discussion of developments related to federal insurance regulation in the U.S., Director Csiszar presented the NAIC framework document, which was prepared in response to House Financial Services Committee Chairman Oxley's request for assistance in the Committee's process of evaluating the modernization of state insurance regulation. There was also a panel discussion of medical malpractice insurance in the context of the Committee's contribution to the work on issues related to private health insurance. The committee also discussed its future work plan, which will include work on supervision of private pension systems, insurance aspects of large-scale disasters, enhancing market liberalization, and an analysis of the relationship between liberalization and regulation.

The committee further addressed proposed conclusions and recommendations from the Task Force on Terrorism Insurance, which highlight the need for international cooperation to address terrorism risk, and the importance of achieving the proper balance between the relative roles of governments and the private sector (insurers, reinsurers and capital markets) in addressing losses from terrorism events. The Task Force also presented for discussion by the full committee a report to the OECD Council requesting further guidance on any future work by the Committee on development of an international mechanism for indemnification of mega-terrorism.

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## **EU Issues “Equivalence” Recommendation on U.S. Conglomerate Supervision**

Following months of study and analysis, a working group of the European Commission recently issued a recommendation to European financial services supervisors with a finding of “broad equivalence” of

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## **NAIC-EU Regulatory Dialogue Postponed; EU Supervisors Meet**

As reported in the NAIC International Report (June 2004 ed.), the Regulatory Dialogue between the NAIC and the European Commission planned for June was postponed. The next Dialogue will likely

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## **House Financial Services Committee hears from Private Sector on EU Dialogue**

In a June 13 hearing, the House Financial Services Committee heard from representatives of the private sector on the US-European Union (EU) Regulatory Dialogue, the subject of a hearing held in May with

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## **International Trade Update**

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**World Trade Organization (WTO)/General Agreement on Trade in Services (GATS)** - The WTO’s 147 governments approved on July 31, 2004, a package of framework and other agreements to enable the negotiations, including services, to move forward. The next services “cluster” of negotiations is scheduled for September 20-October 1, 2004, in Geneva.

### **Free Trade Agreement (FTA) negotiations underway:**

**Andean FTA** (Colombia, Peru, Ecuador with door open to Bolivia): The next round is scheduled for the week of September 13-17, 2004. There is an expectation that the negotiations could be concluded by the end of the year.

**Panama FTA**: The next round is scheduled for October 18-22, 2004, in Panama City.

**Thailand FTA**: The first round took place the week of June 28, 2004. The next round is scheduled for the week of October 11, 2004, in Honolulu. No date specified for conclusion.

**Free Trade Agreement of the Americas (“FTAA”)** (34 countries of the Hemisphere, including the United States, Canada, Central and South America and the Caribbean): Negotiations are supposed to be concluded by January 1, 2005. Countries continue consultations on various issues arising from Ministerial and Vice-Ministerial meetings.

**South African Customs Union (“SACU”)** (South Africa, Botswana, Namibia, Lesotho) FTA: Negotiations began in June 2003. Financial Services negotiations began in earnest in April 2004. The U.S. is consulting with SACU regarding the future negotiating calendar.

While trade ministries around the world continued to discuss efforts to re-energize talks on the General Agreement on Trade in Services (GATS), U.S. trade officials also continued progress in the negotiation of bi-lateral and regional pacts, including agreements being worked on with Bahrain, Panama, Southern African nations, and the possibility of new talks with Thailand in 2005. The agreement with Australia is ready for completion, and the agreement with Morocco and the Central American Free Trade Agreement are reaching conclusion.

### **NAFTA: North American Free Trade Agreement**

The TriNational Insurance Working Group has scheduled its next meeting for November 5 in Toronto, and will submit a report at the NAFTA Financial Services Committee meeting December 2. The meeting will be the first since the Working Group met in conjunction with the NAIC Summer National Meeting in June in San Francisco. That meeting was attended by representatives from the governments and insurance sectors of the U.S., Canada and Mexico. Officials from the U.S. Department of Transportation were on hand to provide insights into the June ruling by the U.S. Supreme Court allowing the Bush Administration to lift the moratorium and open the border to cross-border trucks coming into the U.S. from Mexico.

The NAIC continues to work with regulators and industry, as well as transportation officials, to remove impediments to providing seamless insurance coverage for trucking in Canada, Mexico, and the US. The NAIC's NAFTA Subgroup meets independently and jointly with the TriNational Insurance Working Group (Canada, Mexico and US participation) and the NAFTA Financial Services Committee to discuss cross border trucking safety issues, litigation under the NAFTA, surety bonds, and workers compensation issues associated with the NAFTA.

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## **NAIC Regulatory Cooperation Activities**

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Under the NAIC's International Cooperation (G) Working Group, the NAIC provide expertise and training to developing market countries, both through NAIC initiatives and in programs closely coordinated with the Federal Government - primarily the U.S. Department of Commerce and the Agency for International Development (AID). NAIC involvement in these initiatives ranges from responding to inquiries on U.S. supervisory practices and distributing NAIC publications and manuals, to receiving visiting delegations and providing training, both in the U.S. and abroad.

In addition to the Intern Pilot Program [see article p. 1], and signed Memoranda of Understanding with the China Insurance Regulatory Commission and Vietnam's insurance regulatory authority, the NAIC is currently exploring entering into similar arrangements with insurance supervisors in other jurisdictions, including Brazil, India, and Hong Kong.

*State insurance regulators interested in providing technical assistance program through the NAIC should contact George Brady in the NAIC Office of Government Relations in Washington, D.C. Interested regulators should provide contact information, a description of relevant regulatory experience, and an indication of any particular connection with a non-U.S. country or region. Also, if a visit to or from a foreign government is scheduled with your department, please e-mail George Brady.*

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## UPDATE: IAIS Committees and Subcommittees

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### **IAIS Meets June 22-25 in Oslo, Norway**

#### **Annual Conference and Committee Meetings – October 2-9, 2004 - Amman, Jordan**

From June 22-25, the International Association of Insurance Supervisors (IAIS) held its summer committee and subcommittee meetings in Oslo. The meetings coincided with meetings of the International Accounting Standards Board (IASB), which provided an opportunity for a joint meeting with the IAIS Accounting Subcommittee. This led to a major advance in closer cooperation between the IAIS and the IASB, including representation of the IAIS on a new IASB advisory group on Phase II of IASB's project on accounting for insurance contracts. Director Csiszar, Superintendent Iuppa and NAIC Staff met subsequently with the chairman of the IASB in London to explore opportunities for closer NAIC cooperation with IASB on these critical issues.

Other highlights of the IAIS meetings included:

- Director Csiszar chaired the meeting of the Reinsurance Subcommittee where members continued to work toward a common understanding of a definition of "mutual recognition" that might form the basis for future discussions on how IAIS members can reduce duplicative regulation of companies doing business internationally.
- He also chaired the Reinsurance Transparency Working Group, which plans to complete its report on global reinsurance exposures by year-end. To facilitate the reporting of national-level data, the Group also reviewed a draft agreement on the exchange of confidential information.
- Commissioner Oxendine reported to the Reinsurance Subcommittee on the Hague Conference work on developing an international convention on the enforceability of foreign judgments;
- Superintendent Iuppa presented the final draft of his subcommittee's work on creating a methodology for IAIS members to do a self-assessment of their compliance with IAIS standards and principles. Members will have until the end of 2004 to complete the self-assessment, which will then be the subject of an analytical report in 2005 to identify key areas for future work by the IAIS.
- The Insurance Fraud Subcommittee postponed presenting its final draft guidance paper on anti-money laundering pending further discussion on the proper treatment of reinsurance in the paper. The paper was recently transmitted to the Technical Committee for review, in anticipation that the paper may eventually be approved by the Executive Committee for adoption at the Annual Meeting in October.
- The Financial Conglomerates Subcommittee reviewed recent work of the Joint Forum, and heard presentations on two different models for supervising financial conglomerates in France and the UK. As part of this continuing discussion, the NAIC volunteered to present U.S. supervisory practices to the group at the next meeting in October.
- The Technical Committee received a draft "supervisory framework" designed to provide context to IAIS development of standards on insurance supervision. The NAIC has submitted comments, and the Committee is expected to discuss a final version of the paper in October.
- The Technical Committee agreed to distribute for final consultation two papers to be adopted at the Annual Meeting in October: a guidance paper on investment risk management, and principles on the supervision of insurance activities on the internet.

### ***IAIS Annual Conference and Meeting***

From October 2-7, 2004, IAIS members will convene for the Annual Conference and committee meetings in Amman, Jordan. Hosted by the head of Jordan's Insurance Regulatory Authority, Dr. Bassel Hindawi, the conference will further Jordan's goal of drawing interested regulators from the Middle East into more active participation in the IAIS and in the development of sound insurance regulatory practices.

IAIS committees meeting that week include the Executive, Technical, Budget, Emerging Markets Committees, and subcommittees on Reinsurance (and the Steering Group on Transparency in the Reinsurance Sector and Mutual Recognition Subgroup), Accounting, Financial Conglomerates, Education, Insurance Fraud, Enhanced Disclosure, Insurance Laws and Regulations (database project), and Education (including work on the World Bank-sponsored "core curriculum" program). During the meeting, new chairs of the Executive Committee and the Reinsurance Subcommittee (and working groups) will be selected. The NAIC, which currently sits as vice chair of the Executive Committee, has submitted its candidacy for chairmanship of that group.

The Conference will include panel discussions and presentations on a number of topics related to the overall theme of "Globalized Insurance Markets – Challenges and Opportunities." Speakers will address corporate governance, motor insurance, a risk-based approach to solvency oversight, anti-money laundering, links between banks and insurers, mutual recognition in reinsurance, disclosure requirements, and insurance regulation in a system of integrated financial services supervision. The program will also bring together company executives and insurance supervisors for an open discussion titled "What Issues Keep Regulators and CEOs Awake at Night? Are there Differences?"

Information on the Conference, including registration materials, can be found at [www.IAIS2004.com](http://www.IAIS2004.com).

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## **NAIC International Calendar 2004-2005**

(**Bold** denotes active NAIC participation)

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### **SEPTEMBER**

- 1-2 **IAIS Solvency Subcommittee** (Sydney, Australia)
- 7-8 IAIS Enhanced Disclosure Subcommittee (Bonn, Germany)
- 8-9 Financial Stability Forum (Washington, DC)
- 11-15 **NAIC Fall National Meeting (Anchorage, AK)**
- 20-23 FSI Seminar – Risk Management Practices in the Insurance Industry  
(Beatenberg, Switzerland)
- 21-22 **IAIS Enhanced Disclosure Subcommittee** (Basel, Switzerland)
- 22-25 IAIS Board (London)
- 27-28 NSS (London, UK)
- 28-29 Joint Forum: WG on Regulatory & Market Differences meeting  
(Amsterdam)**

# OCTOBER

- 2-9 **IAIS Annual Conference and Committee Meetings** (Amman, Jordan)
- 14 **Department of Insurance, Securities and Banking meeting (Washington, D.C.)**
- 20-21 CEIOPS (Slovenia)
- 25-29 IAIS Asian Regional Seminar (Beijing, China)
- 26-27 **IAIS Enhanced Disclosure Subcommittee** (Rome, Italy)

# NOVEMBER

- 4-5 IAIS Insurance Laws Subcommittee (Bern, Switzerland)
- 5 **NAFTA TriNational Insurance Working Group** (Toronto)
- 7-10 NAIC EU Delegation (Brussels)
- 9-12 FSB/South Africa World Bank/IAIS Core Curriculum Pilot Program (South Africa)
- 10-11 **Joint Forum** (Sydney, Australia)
- 17-19 **IAIS Solvency Subcommittee** (Amsterdam, Netherlands)
- 18-19 SAC (London, UK)
- 22-23 OECD Conference on Catastrophic and Terrorism Risks and Insurance (Paris, France)
- 24-25 **OECD Insurance Committee** (Paris, France)
- 30 WTO Services Council (Geneva, Switzerland)
- 29- 3 IAIS/ASSAL Regional Seminar (Santo Domingo, DR)
- 30-12/2 IASB Insurance Working Group (London, UK)

# DECEMBER

- 1 EU Insurance Committee (Brussels, Belgium)
- 1-3 IFRIC (London, UK)
- 3 IAIS Mutual Recognition Subgroup (New Orleans, LA)
- 3-4 IAIS Reinsurance Subcommittee (New Orleans, LA)
- 4-8 NAIC Winter National Meeting (New Orleans, LA)**
- 6-8 Egyptian Ins. Supervisory/IAIS Middle East and Northern African Regional Seminar (Cairo, Egypt)
- 8 Joint Forum Roundtable on Credit Risk Transfer** (London, UK)
- 13-14 **IAIS Accounting Subcommittee (Paris, France)**
- 15-17 **IASB** (London, UK)

# 2005

## January

- 10-11 IAIS Enhanced Disclosure Subcommittee Meeting (Germany)



## February

- 3-4 NAIC-EU Regulatory Dialogue (Frankfurt, Germany) [tent.]
- 8-11 **IAIS Committee/Subcommittee Meetings** (Basel, Switzerland)
- 9-11 **NAIC Financial Summit – 2005 Leadership Initiatives** (Orlando, Florida)
- 23 **Joint Forum** (Paris)
- 23 CEIOPS Consultative Panel (Frankfurt)
- 24 CEIOPS Members Meeting (Frankfurt)
- 23-25 **IAIS Solvency Subcommittee** (Basel, Switzerland)
- 28-3/4 IAIS/OECD/ASSAL Conference (Bolivia)

## March

- 12-15 NAIC Spring National Meeting (Salt Lake City, Utah)**

## April

- 3-6 Ins. Commission/Jordan/World Bank/IAIS Core Curriculum Pilot Program (Jordan)
- 7-8 Geneva Association 21st Progress Seminar on Regulation, Supervision and Global Trade Issues (Geneva, Switzerland)
- 11-16 World Bank Contractual Savings and Insurance Conference (Washington, DC)

## May

- 24-27 IAIS Working Group Meetings (Beijing, China)
- 30-6/1 **IAIS Solvency Subcommittee (Tokyo, Japan)**

## June

- 11-14 NAIC Summer National Meeting (Boston, Massachusetts)
- 13-18 OSFI (Canada) In-House Insurance Supervisions Seminar (Ottawa, Canada)
- 15 **Joint Forum** (Amsterdam, Netherlands)
- 27-7/1 **OECD Insurance Committee Meetings (Paris, France)**
- 30 CEIOPS meeting (TBA)

## August

- 30-9/1 IAIS Solvency Subcommittee (Virginia)
- TBA Asian Regional Seminar (Singapore)

## September

## **10-13 NAIC Fall National Meetings (New Orleans, LA)**

TBA Middle East and Northern Africa Regional Seminar (Beirut, Lebanon)

## **October**

16-21 IAIS Annual Conference and Committee Meetings (Vienna, Austria)

## **November**

8-9 **Joint Forum** (Washington, DC)

16-18 IAIS Solvency Subcommittee (Amsterdam, Netherlands)

**28-12/3 OECD Insurance Committee Meetings (Paris, France)**

TBA ASSAL Regional Seminar (Buenos Aires, Argentina)

## **December**

**3-6 NAIC Winter National Meeting (Chicago, IL)**

### **List of Abbreviations**

APEC	Asia Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
ASSAL	Association of Latin American Insurance Supervisors
BIS	Bank for International Settlements
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors
EU	European Union
FATF	Financial Action Task Force
FSF	Financial Stability Forum
FSI	Financial Stability Institute
GATS	General Agreement on Trade in Services
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
IOSCO	International Organization of Securities Commissions
NAFTA	North American Free Trade Agreement
NCOIL	National Conference of Insurance Legislators
OECD	Organization for Economic Cooperation and Development
UNCTAD	United Nations Commission on Trade and Development
WTO	World Trade Organization

The 'International Report' is produced by the International Relations Staff of the NAIC (for the use of NAIC members). If you would like further information regarding any of the issues addressed in these articles, please contact the NAIC's Office of Government Relations in Washington, DC at the following address:

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