NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
INTERNATIONAL INSURANCE ISSUES COMMITTEE
SAVANNAH, GEORGIA
MARCH 2, 2007
MINUTES

The International Insurance Issues Committee of the National Conference of Insurance Legislators (NCOIL) met at the Hyatt Regency Savannah in Savannah, Georgia, on Friday, March 2, 2007, at 9:30 p.m.

Rep. Craig Eiland, acting chair of the Committee, presided.

Other members of the Committee present were:

Sen. Steven Geller, FL	Assem. Ivan Lafayette, NY
Rep. George Keiser, ND	Sen. William J. Larkin, Jr., NY
Assem. Nancy Calhoun, NY	Sen. James Seward, NY

Other legislators present were:

Rep. Donald Brown, FL	Assem. William Barclay, NY
Rep. Pat Patterson, FL	Rep. Brian Kennedy, RI
Sen. James Lewis, IN	Del. Harvey Morgan, VA
Sen. Vi Simpson, IN	Rep. Gini Milkey, VT
Sen. Samuel Smith, Jr., IN	Sen. Jeff Plale, WI
Sen. Ruth Teichman, KS	Sen. Dale Schultz, WI
Sen. Michael Chaney, MS	

Also in attendance were:

Susan Nolan, Nolan Associates, NCOIL Executive Director
Candace Thorson, NCOIL Deputy Executive Director
Kevin Horan, NCOIL Director of State-Federal Relations

MINUTES

Upon a motion made and seconded, the Committee voted unanimously to approve the minutes of its November 10, 2006, meeting in Napa Valley, California.

EU/US ISSUES OF COMMON CONCERN

Cheye Calvo of the National Association of Insurance Commissioners (NAIC) said the European Union (EU) had issued a *Directive on Supplementary Supervision of Insurance Undertakings in an Insurance Group* to address holding company-like entities in the EU. He said the NAIC had discussed a memorandum of understanding with EU regulators and supervisors regarding the exchange of confidential supervisory information, and noted that the NAIC would continue to educate the EU on U.S. regulation of holding companies.

With respect to the issue of reinsurance collateral, Mr. Calvo reported that several EU countries had established collateral requirements. He told Committee members that an EU *Reinsurance Directive* to eliminate internal collateral requirements was expected to be completed for adoption by November 2007, and for implementation by November 2008. He said the NAIC was developing a Reinsurance Evaluation Office (REO) to address the substantive concerns of EU regulators and noted that an REO would ensure that nonauthorized insurers were prepared to meet any judgments levied against them.

Rep. Eiland asked about the status of the REO proposal and questioned how it would be affected by surplus lines legislation in Congress. Mr. Calvo responded that an REO framework was passed through an NAIC Financial Conditions Committee and noted that the NAIC hoped to address substantive issues before a September 2007 deadline. He said the *Nonadmitted and Reinsurance Reform Act*, H.R. 1065, and REO proposal were not mutually exclusive. Marsha Cohen of the Reinsurance Association of America (RAA) said H.R. 1065 would allow a nonadmitted reinsurer to be licensed in one state and operate in all 50 states.

Sen. Geller said an earlier REO proposal that required 20 percent collateral would have raised requirements for all reinsurers, including American domiciled companies, and asked if the REO proposal had changed. Mr. Calvo responded that the REO provided for different levels of collateral requirements from a level one (1) with zero (0) collateral requirement, to a level six (6) with 100 percent collateral.

SOLVENCY II

Mr. Calvo reported that the EU had initiated reforms to incorporate risk-based elements into capital requirements and said the reforms paralleled banking regulations under Basel II. He stated the reforms included a quantitative approach that would establish minimum capital requirements and disclosure standards that would be consistent with procedures of the International Accounting Standards Board (IASB). He said the NAIC would continue to monitor Solvency II processes.

Ed Stephenson of Barnert Associates, representing the Group of North American Insurance Enterprises (GNAIE), informed the Committee that Solvency II was advancing through the EU and the International Association of Insurance Supervisors (IAIS). He said the IAIS was working to develop global standards for solvency regulation, and noted that the U.S. provides input to the IAIS through the NAIC process. Mr. Stephenson described a recent IAIS *Common Structure for the Assessment of Insurer Solvency* (structure paper) and discussed concerns related to the models and accounting standards it used.

INTERNATIONAL ACCOUNTING STANDARDS

Rep. Eiland said international accounting standards were an effort to harmonize the methods used by insurance commissioners and international insurance supervisors to review company financial and accounting information. He said the standards would create one international accounting method.

Mr. Stephenson then declared that 2007 would be a big year for accounting standards because the IASB had completed its *Insurance Contracts Discussion Paper* after four years of study. He said the IASB would attempt to institute generally accepted accounting principles (GAAP) on a worldwide basis. He noted that the procedures were important to insurance companies because they could provide a measure of the financial health of the company to outside investors, capital markets, and creditors, among others.

Mr. Stephenson said the IASB insisted that its paper reflect a direct relationship with a U.S. fair value market standard, which, he said, was released in 2006 and is known as FAS 157. He said the IASB stated that there was no difference between the IASB paper regarding liability measurement, and the requirements of FAS 157.

Responding to a request by Rep. Eiland to further describe the IASB, Mr. Stephenson said that it was a supernational body established to develop international accounting standards. He reported that beginning in 2005 EU companies were required to use the IASB international financial reporting standards (IFRS) as their GAAP. He added that the World Bank and International Monetary Fund (IMF) use IFRS to assess developing countries.

ADJOURNMENT
There being no other business, the Committee adjourned at 10:30 a.m.

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