

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
INTERNATIONAL INSURANCE ISSUES COMMITTEE
DUCK KEY, FLORIDA
NOVEMBER 19, 2004
DRAFT MINUTES

The International Insurance Issues Committee of the National Conference of Insurance Legislators met at Hawk's Cay Resort in Duck Key, Florida, on November 19, 2004, at 9:45 a.m.

Rep. Mark Young of Vermont, Chair of the Committee, presided.

Other members of the Committee present were:

Sen. Steve Geller, FL
Rep. Mary Ann Middaugh, MI
Rep. Greg Davids, MN
Assem. Nancy Calhoun, NY
Rep. Brian Kennedy, RI

Other legislators present were:

Sen. Joe Crisco, CT
Rep. Mike Ripley, IN
Rep. Matt Whetstone, IN
Sen. Gene Seaman, TX
Rep. Gini Milkey, VT

Others present were:

Susan Nolan, NCOIL Deputy Executive Director

MINUTES

Upon a motion made and duly seconded, the Committee voted unanimously to approve the minutes of the July 15, 2004, meeting in Chicago, Illinois.

INTERNATIONAL INSURANCE ISSUES

Dave Matcham, representing the International Underwriting Association (IUA), reported that many involved with reinsurance issues have noticed a greater focus on the regulation of reinsurance by international regulators, commenting that the threat of a systemic failure of the reinsurance market was the subject matter of periodic studies. He urged NCOIL to take a more active role in monitoring these issues. Mr. Matcham expanded on remarks made by Christian Pierotti at the July NCOIL International Insurance Issues Committee meeting to provide further updates on European Union activities, noting that by 2007 there could be one set of standards for the regulation of reinsurers in the EU. He also discussed "Solvency II," which he characterized as a harmonized solvency regime of the insurance and reinsurance marketplace. He indicated implementation was scheduled for 2008 or soon after.

Sen. Geller asked Mr. Matcham to clarify what he meant by a systemic failure of the reinsurance system. Mr. Matcham indicated he was referring to the ripple effect to consumers if one or more major reinsurers became insolvent. A previous study conducted by the Financial Stability Forum indicated that the marketplace did not present a threat of this nature.

Sen. Geller (FL) inquired how reinsurers determined that their asset base was adequate for the catastrophic business being written. Mr. Matcham noted that reinsurers have sophisticated modeling tools available which he felt would be adequate to determine appropriate capital needs. He cited the September 11 terrorist attacks and the Florida hurricanes as evidence that adequate capital was available to address these events without systemic failure. Sen. Geller suggested that NCOIL determine whether these issues warranted further study.

DISCUSSION OF EU HAZARDOUS SUBSTANCE RESTRICTIONS

Tim McGrady, representing IMR Test Labs, said that the EU is attempting to become a recycling society wherein producers must take the responsibility for recycling products. He spoke about the presence of hazardous substances in products that must be recycled and efforts of the EU to restrict hazardous substances in various products. He noted that, with respect to recycling products containing hazardous substances, there was virtually no technical guidance or test methods to manufacturers on how such should be accomplished. Mr. McGrady argued that this issue had an insurance dimension due to the liability issues associated with dealing with these hazardous substances, leaving the “little guy” at the end of the supply chain most exposed.

Sen. Geller clarified that Mr. McGrady’s primary concern was that the EU has set environmental goals but there was no uniform testing available to measure compliance with these goals. He opined that perhaps this was not really an issue NCOIL should be involved with since the substance of the issue was being set within the EU by regulators involved in areas other than insurance. Mr. McGrady replied that the issue affected the content of almost every product and that, for example, a small U.S. company could become liable for the content of a product supplied to the EU. He indicated that if NCOIL were to consider this a liability insurance issue then NCOIL could influence the process by which the hazardous substance policy is directed within the U.S.

Rep. Young echoed Mr. McGrady’s concern, noting that a company in his state might be affected (from a liability standpoint) if they supplied a product that eventually was sold and distributed in the EU and found to contain hazardous substances.

Assem. Calhoun inquired about whether this would be an issue if the manufactured product stayed within the U.S. Mr. McGrady indicated that at this time it would not be an issue but could be in the future.

2005 COMMITTEE CHARGES

Upon a motion made and duly seconded, the Committee voted to adopt charges for 2005 as follows:

- Develop and enhance communications with foreign legislators and regulators
- Explore areas of mutual recognition in insurance regulation between U.S. and foreign insurers
- Monitor international accounting standards development in order to form an NCOIL position
- Initiate as part of NCOIL meetings a forum for U.S. and foreign legislators to speak regarding mutual insurance concerns
- Examine Bermuda and other offshore insurance-related issues

ADJOURNMENT

There being no further business, the meeting was adjourned at 10:25 a.m.