

## **COMMITTEE ON INSURANCE REGULATION REPORT FOR THE PERIOD MAY – OCTOBER 2003**

### **Liaison with International Association of Insurance Supervisors (IAIS) and other international organizations**

The chair of the committee, Jukka Rantala, attended the IAIS Annual Conference in Singapore, September 26 – October 3, 2003. Together with the President of the IAA, Jim MacGinnitie, he met with Secretary General Yoshihiro Kawai to discuss relationships between the IAIS and the IAA, with the objective of recognizing that the status and objectives of the IAA differ substantially from those of most other observer members of the IAIS, creating a special relationship between the two organizations.

Jim MacGinnitie gave a presentation on the role of the actuary to the panel chaired by John Palmer from the Monetary Authority of Singapore. Peter Boller spoke on the reinsurance panel, chaired by Henrik-Bjerre Nielsen from the Danish supervisory authority, on the question of whether supervisors are prepared to regulate reinsurance. W. Paul McCrossan attended the panel on accounting, chaired by Tom Karp from the Australian supervisory authority. In addition, several IAA members attended as delegates on behalf of their national regulators.

The IAIS Eleventh Annual Conference is planned for Amman, Jordan, October 6 – 8, 2004.

A letter was sent on September 16, 2003, from the President of the IAA to Yoshihiro Kawai on the subject of observer membership status on the Financial Stability Forum Task Force Re. Members of the Financial Stability Forum (FSF) include the IAIS, the International Organization of Securities Commissions (IOSCO), and the Basel Committee. The IAA was approved as an official observer to the Task Force Re (task force on reinsurance) and the meetings will be attended regularly in the future.

Ibrahim Muhanna attended the Financial Stability Institute seminar in Amman, Jordan, September 1 – 4, 2003.

The meeting in Washington, June 9, 2003, of the IAIS Task Force on Revisions to Insurance Core Principles was attended by Bob Wilcox, representing the Insurance Regulation Committee and by Norma Rosas and Craig Thorburn.

Stuart Wason, Glenn Meyers and Allan Brender attended the IAIS Technical Subcommittee on Solvency and other Actuarial Issues meeting on June 4, 2003 in Washington, DC.

### **Papers by the Committee on Insurance Regulation**

- Report of the Working Party on Insurer Solvency Assessment: After continued activity over the summer months and a heavy schedule of conference calls, the working party has completed its report. The final report has been circulated for comment ahead of the meeting in Berlin.

## **Submissions**

### *IAIS Glossary*

The proposed new definition of the word “actuary”, agreed upon at the Sydney meeting, was forwarded on June 4, 2003 to Michael Hafeman, Chairman, IAIS Solvency & Actuarial Issues Subcommittee. His successor, Wil Dullemond, has advised that this issue will be discussed at the next meeting of this subcommittee (Amsterdam, November 5-7, 2003).

### *IAIS Draft Principles on Minimum Requirements for Supervision of Reinsurers*

The draft response was sent to the IAIS on May 9, 2002 and posted to the IAA web site for a vote by member associations with a deadline of August 7, 2002. The committee has decided that a final response will not be issued to this paper because the IAIS has since moved on to issue Draft Standards on this same subject.

### *IAIS Draft Standard on Supervision of Reinsurers*

The draft response was sent to the IAIS on May 27, 2003, and it was put to a vote by member associations with a deadline of August 11, 2003 (see balloting results below). Peter Boller, in consultation with the Subcommittee on Reinsurance, is examining the comments received before issuing the final response. Many of the previous IAA comments have been reflected in this version of the IAIS Draft Standard.

<b>Approve:</b>	59/110	92.19%
<b>Against:</b>	0/110	0.00%
<b>Abstain:</b>	5/110	7.81%
<b>Total Voting Rights Cast:</b>	<b>64/110</b>	<b>58.18%</b>

### *IAIS Revision to the Insurance Core Principles and Methodology*

The draft response to the latest version of this IAIS document, issued on January 31, 2003, was sent to the IAIS on May 26, 2003. It was subsequently put to a vote by member associations with a deadline of August 11, 2003 (see balloting results below). A few associations commented that our response was too supportive of peer review. As a result, references to peer review were removed from our final response of September 22, 2003. In addition, these comments were referred to the Professionalism Committee for consideration.

<b>Approve:</b>	63/110	100.00%
<b>Against:</b>	0/110	0.00%
<b>Abstain:</b>	0/110	0.00%
<b>Total Voting Rights Cast:</b>	<b>63/110</b>	<b>57.27%</b>

*Quantifying and Assessing Insurance Liabilities*

The draft response was sent to the IAIS on September 18, 2002, and it was put to a vote by member associations with a deadline of December 14, 2002. Comments received were incorporated into the final response which was issued on May 14, 2003.

*Issues Paper on Insurance Securitization*

The draft response was sent to the IAIS on December 5, 2002 and was subsequently put to a vote by member associations with a deadline of March 4, 2003. Comments received were incorporated into the final response issued on May 12, 2003.

*EU Solvency II*

A draft response was submitted by the IAA Insurer Solvency Assessment Working Party on February 23, 2003, and put to a vote with a deadline of June 2, 2003 (see balloting results below). The final response, with only minor editorial amendments, was forwarded on September 10, 2003.

<b>Approve:</b>	44/107	95.65%
<b>Against:</b>	0/107	0.00%
<b>Abstain:</b>	2/107	4.35%
<b>Total Voting Rights Cast:</b>	<b>46/107</b>	<b>42.99%</b>

*IAIS Draft Standard on Disclosures re Technical Performance & Risks for Non-Life Insurers and Reinsurers*

A draft response was finalized at the Sydney meeting and forwarded to the IAIS on May 20, 2003. It was posted to a vote of member associations with a deadline of August 11, 2003 (see balloting results below). The comments received were incorporated in the final response prepared by Ralph Blanchard, and forwarded to the IAIS on September 30, 2003.

<b>Approve:</b>	59/110	100.00%
<b>Against:</b>	0/110	0.00%
<b>Abstain:</b>	0/110	0.00%
<b>Total Voting Rights Cast:</b>	<b>59/110</b>	<b>53.64%</b>

### *Stress Testing*

The draft response was sent to the IAIS on July 16, 2003 and included comments on Control Capital Levels as well as Stress Testing. It was put to a vote by member associations with a deadline of October 28, 2003 (see balloting results below). The comments received are currently under review, and the final response will be issued in December.

<b>Approve:</b>	51/110	96.23%
<b>Against:</b>	0/110	0.00%
<b>Abstain:</b>	2/110	3.77%
<b>Total Voting Rights Cast:</b>	<b>53/110</b>	<b>48.18%</b>

*Financial Stability Forum: Report on Trends in Risk Integration and Aggregation*  
The possibility of a draft response is under consideration at this time.

### **Committee Matters**

The committee has completed the elaboration of its two-year work plan.

Jukka Rantala, Chairperson  
October 2003