

COMMITTEE ON INSURANCE REGULATION ACTIVITY REPORT NOVEMBER 2004 – MAY 2005

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

The Insurance Regulation Committee continues to monitor developments leading up to the 12th Annual Conference of the IAIS in October in Vienna. Arrangements are ongoing for participation in committee meetings, panel discussions and presentations.

Stuart Wason addressed the topic of risk management at the Insurance and Contractual Savings Conference in Washington, DC, April 2005. The event was co-sponsored by the IAA and World Bank.

Peter Boller attended the Reinsurance Subcommittee meeting of the IAIS in Basel on February 8 and the Reinsurance Transparency Group meeting on February 9, 2005.

IAIS Enhanced Disclosure Subcommittee

The mandate of this subcommittee is to draft standards and guidance papers aimed at enhancing the standards of disclosure by insurers. Due to scheduling conflicts, IAA contact persons to this subcommittee were unable to attend a February meeting in Basel. However, Henk van Broekhoven attended the April 19-20, 2005 meeting in Berlin.

IAIS Solvency and Actuarial Issues Subcommittee

Dave Sandberg, Vice-Chair of the Insurance Regulation Committee, has been named as an alternate observer to the IAIS Solvency Subcommittee. He attended a meeting of the subcommittee in Basel on February 5, 2005. Terri Vaughn will attend the May 30-31, 2005 Tokyo meeting of the subcommittee in her capacity as observer.

Solvency Subcommittee

The Solvency Subcommittee took the lead in two IAA responses to IAIS requests for comment, namely, the “New Framework for Insurance Supervision” and the “Cornerstones for the Formulation of Regulatory Financial Requirements - Towards a common structure and common standards for the assessment of insurer solvency.” The Subcommittee looks forward to a full-day meeting in Rome with discussion topics to include, among others, Solvency II, issues related to life and non-life insurance, asset risk, liquidity and operational risk, and aggregation.

Reinsurance Subcommittee

The main activities of the Reinsurance Subcommittee were attendance of the above-mentioned meeting and following the activities as they emerge. RISC continues to collaborate with the IAIS on standards for disclosure for the Global Reinsurance Market Statistics. The recent committee meeting of the IAIS reinsurance committees in Beijing were not attended by IAA representatives. A main topic for discussion in Rome will be the IAIS plans to develop a supervisory guidance paper on finite risk reinsurance.

Submissions

IAIS Consultation Paper on the Draft Standard on Disclosures Concerning Investment Performance and Risks for Insurers and Reinsurers

The Enhanced Disclosure Subcommittee issued this draft standard for comment with a deadline of December 20, 2004. We requested an extension of this deadline and issued a response on January 5, 2005 using the fast track procedure. No objections were received to the use of the procedure.

IAIS New Framework for Insurance Supervision

The IAIS requested comments by December 31, 2004. The Solvency Subcommittee drafted a response to this submission, which was issued on December 20 using the fast track procedure. There were no objections received to the use of the procedure.

Draft Policy Statement on the Scope of Observers' Participation in IAIS Activities

The IAIS Executive Committee developed this policy statement to clarify the scope of involvement by observers in IAIS activities, and requested comments by January 2, 2005. The IAA response, issued on December 20, 2004, was prepared using the fast track procedure, with no objections to the use of the procedure received.

IAIS Cornerstones for the Formulation of Regulatory Financial Requirements "Towards a common structure and common standards for the assessment of insurer solvency"

This IAIS paper outlines a more precise view on a number of key elements for the formulation of regulatory financial requirements for insurers worldwide, and builds upon the above-mentioned paper "A New Framework for Insurance Supervision". Comments prepared by the IAA Solvency Subcommittee were forwarded to the IAIS by the deadline of April 15, 2005. The fast track procedure was used, with no objections to the use of the procedure received.

IAIS Draft Supervisory Standard on Fit and Proper Requirements and Assessment for Insurers

The aim of this draft is to set standards on fitness and propriety for members of the board of insurers and for other key functionaries and for the assessment of the compliance with these standards, or fit and proper testing, by supervisors. Comments on this IAIS draft standard, prepared by the Insurance Fraud Subcommittee, are due on June 14, 2005. A response will be prepared using the fast track procedure. Due to the proximity of the IAA Council and Committee meetings, the deadline for objection to the use of the fast track procedure was moved up to June 1, 2005 with a view to submitting a response by June 6.

Committee Matters

The committee has begun the review of its terms of reference and two-year work plan, with draft proposals prepared for discussion in Rome.

Jukka Rantala, Chairperson