

**Joint National Association of Insurance Commissioners (NAIC) –
Financial Services Agency of Japan (FSA) Statement**

Background: *In early 2014 the National Association of Insurance Commissioners (NAIC) and Financial Services Agency of Japan (FSA), formalized the Insurance Regulatory Dialogue, a major initiative to further develop and enhance the mutual understanding of - and confidence in - their respective regulatory frameworks. This enhanced mutual regulatory understanding is currently advancing the supervision of cross-border insurance groups.*

On April 6, 2015, the FSA and members of the NAIC (the Authorities) reinforced the importance of building trust among regulators and ongoing supervisory cooperation and collaboration between insurance regulators from the two largest national insurance markets in the world.

During the April meeting, representatives of the Authorities reiterated their commitment to continue to meet periodically to update each other on insurance-specific regulatory approaches and to discuss regulatory best practices that attain common objectives while respecting the diversity of jurisdictional regulatory structures.

The Authorities also noted that since January 1, 2015, the FSA had been recognized as a Qualified Jurisdiction with respect to reinsurance companies regulated by the FSA, and placed on the NAIC List of Qualified Jurisdictions. Consequently, reinsurers licensed and domiciled in Japan are eligible to be certified for reduced reinsurance collateral requirements under the NAIC's Credit for Reinsurance Model Law.

The Authorities discussed the potential of the International Association of Insurance Supervisors (IAIS) Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) to serve as a framework for international supervisory cooperation based on the IAIS Insurance Core Principles (ICPs), and used by supervisory colleges to improve the effectiveness and efficiency of international group supervision. In particular, the Authorities reaffirmed their active engagement in the development of a risk-based global insurance capital standard (ICS) for internationally active insurance groups develops, as well as basic capital requirements (BCR) and higher loss absorbency (HLA) requirements for global systemically important insurers.

With regard to the development of ICS, the Authorities reaffirmed the importance of considering the cost/benefit of any proposed standards, their impact on insurance product availability and affordability or other market impacts, and the compatibility of the proposed standards with the respective insurance regulatory systems. In this context, the Authorities noted that the IAIS decided to explore the development in parallel of both a "GAAP Plus" valuation approach, which can be utilized by insurance groups and can produce comparable outcomes across jurisdictions as well as a "Market Adjusted Valuation Approach." Furthermore, they underscored that IAIS Members should drive the timeline and not make hasty decisions and instead focus on achieving high-quality results with available resources.

The Authorities echoed the importance of confidentiality and professional secrecy, in operationalizing the IAIS Multilateral Memorandum of Understanding (MMoU), which represents the internationally accepted standard for global information sharing among insurance regulators. It provides member jurisdictions worldwide the ability to increase international supervisory cooperation.

The Authorities decided to hold the fourth round of the NAIC-FSA Insurance Regulatory Dialogue in the U.S. in the fall.