

Opening Remarks
Masamichi Kono, JFSA

On behalf of the JFSA, I would like to extend our warm welcome to the high-level delegation of the NAIC led by the Honorable Senator Ben Nelson. Last October, you kindly extended your warm hospitality to us upon our visit to Omaha, and it is our great delight to be able to reciprocate this time. At that time, we agreed to have regular bilateral dialogue between the NAIC and JFSA, and we have the pleasure of launching such a dialogue today.

The insurance industries of the US and Japan are the largest markets of the world, and taken together, account for close to half of the total of global insurance markets when measured by insurance premiums. Given this reality, and given the recent growth in cross-border activities of both US and Japanese insurers, we find it an imperative that the regulatory authorities of the two jurisdictions work even more closely than before.

We find ourselves very close to the US not just because of such market realities, but also because our risk based solvency requirement is modeled after the US regime, since the US first introduced risk-based solvency regimes in the early 1990s, and we followed suit soon after.

In Japan, the financial crisis of the 1990s and the early part of this century resulted in the failure of a number of medium- or small-sized insurance companies, and prompted us to upgrade our regulation and supervision of insurance companies, as well as to develop a robust safety net for policyholders. For example, during this period, we introduced a system of consolidated supervision for insurance groups, and strengthened our solvency requirement for insurance companies. The policyholder protection fund was substantially strengthened.

The need to strengthen international cooperation among insurance regulators has also been a long-standing issue for regulators, but the most recent global financial crisis has added urgency to our work to address this issue.

Financial stability is now a key consideration in the day-to-day supervision of insurance regulators as well. As you are very much aware, the work to address systemically important insurers is progressing at the IAIS and FSB. Work to develop international capital standards for insurers has also started. Group supervision has become a necessity, as insurance groups expand their businesses across sectors and transcends state and national borders. Work to enhance the intensity and effectiveness of the supervision of insurers is also gathering pace. An effective framework to enable the orderly resolution of systemically important insurers has become a matter of priority for regulators worldwide.

In the face of these and other challenges for insurance regulators, I think it would be particularly helpful for our respective authorities to exchange information, learn from each other's experiences, and work together to enhance cross-border supervisory cooperation. We may also discuss our views on the work towards development of international standards at the IAIS and FSB, and, where possible, and develop common positions in this regard.

Thank you for travelling long distances to spare your precious time with us, and I look forward to a productive discussion today.