

Welcome and Opening Remarks for Senator Nelson

Vice Commissioner Kono I am very pleased to be here today for the 1st National Association of Insurance Commissioners (NAIC) – Financial Services Agency of Japan (JFSA) Insurance Regulatory Dialogue, along with my colleagues from the NAIC. It is a pleasure to see you again and to visit you in Tokyo. I really appreciated your visit to Omaha, NE last October and our fruitful dialogue. I am very encouraged that we have been able to move forward on our joint commitment from October to launch this dialogue in early 2014. These recurring exchanges are essential to enhancing supervisory understanding between our respective jurisdictions, facilitating information-sharing, coordinating standard setting activities, addressing current regulatory issues and ultimately successfully improving insurance regulation everywhere.

The insurance sector plays a critical role in promoting economic development which creates jobs at home and abroad. As the regulators of the two largest insurance markets in the world, it is important to have these bilateral dialogues on a more formal and more regular basis. With continued growth of the cross-border business by both Japanese and US insurers in our respective markets, a solid and productive relationship between the supervisors and a good understanding of one another's supervisory approaches is essential to ensure effective supervision and stable insurance markets. The NAIC is proud to launch this new dialogue here today in Tokyo, Japan, and we look forward to this becoming a recurring regulator to regulator dialogue.

If the financial crisis has taught us anything, it is that insurers face a wide and growing range of significant risks that have the potential to threaten their solvency. Therefore, the identification, assessment, testing and monitoring of current and prospective solvency risks facing insurers is of vital importance to regulators world-wide. Increased regulatory collaboration and cooperation strengthens well-regulated and competitive markets, providing policyholders better choices and stability. As part of our mission at the NAIC, we are working to continue to advance best practices and enhance the efficiency and effectiveness of insurance regulation and supervision.

The NAIC and its members have long been committed to providing leadership on a wide range of global insurance issues and activities, with a focus on ensuring policyholder protections and maintaining stable insurance markets. Our system is not static – it continues to evolve based on insights we gather from monitoring our market and our efforts are enriched by our active involvement in international discussions. We do not pretend to have all the answers or have a perfect system, and we continue to learn from our international colleagues, as we hope they too learn from us.

As the International Association of Insurance Supervisors (IAIS) continues its efforts to develop risk-based global insurance capital standard (ICS) for internationally active insurance groups (IAIGs), U.S. state insurance regulators recognize these developments at the IAIS and have committed to work constructively towards the goal of developing an ICS that works for all jurisdictions. We believe that these objectives are not easily achieved and will require significant resources over many years and close cooperation between the U.S. and Japan as well as other IAIS Members. The timelines for the various goals should be driven by the IAIS Members based on resources available and achieving high-quality results.

Ultimately, the objective of a global ICS should be enhancing the efficacy of capital requirements in order to help facilitate solvency systems in developing markets be on par with, though not necessarily identical to, such systems in developed markets.

Thank you to the Financial Services Agency of Japan for hosting us here in Tokyo and giving us an opportunity to hear more about the reforms which you are currently undertaking and for allowing us to share with you the changes we are currently implementing through our SMI process in addition to a discussion around international standard setting. We look forward to your visiting us in the U.S. later this year so that we might repay the hospitality you have shown us.