

September 12, 2017

Commissioner Ted Nickel, NAIC President
Commissioner Julie Mix McPeak, NAIC President-Elect
Superintendent Eric Cioppa, NAIC Vice President
Director Ray Farmer, NAIC Secretary-Treasurer
Michael Consedine, NAIC CEO
Andy Beal, NAIC COO
Jim Woody, NAIC CFO

Re: Consumer Participation in International Insurance Supervisory Standard Setting and Policy Discussions – 2017 Accomplishments and 2018 Budget and Procedures

Dear Commissioners and Messrs. Consedine, Beal and Woody

We thank the NAIC for your efforts over the years to promote consumer participation in international insurance supervisory standard setting and policy discussions. Your efforts have succeeded.

For many years, participation in discussions regarding international insurance supervisory principles and standards at the IAIS excluded consumer stakeholders because of the IAIS pay-to-play observer fees of around \$20,000 a year per stakeholder organization. As a result, consumer stakeholders were unable to meaningfully participate in IAIS activities – even when an IAIS meeting was held in the United States.

The NAIC first convinced the IAIS to waive the observer fee for consumer stakeholders and then provided funding for NAIC consumer representatives to participate in IAIS meetings and events. The NAIC also took a leadership role at the IAIS to remove the pay-to-play observer status and allow all interested stakeholders to access IAIS consultations and activities. Although the IAIS stakeholder engagement procedures changed a few years ago to close most committee and working group meetings to stakeholders, the improvement in consumer stakeholder participation – as a direct result of NAIC leadership and support – has been striking. In the space of just a few years, consumer participation at the IAIS has gone from non-existent to the following as of September 2017:

- An IAIS stakeholder engagement policy that specifically recognizes and values consumer stakeholder participation.
- NAIC consumer representative participation in IAIS events and meetings, including, in 2017 alone:
 - Birny Birnbaum (Center for Economic Justice) providing written comments on the IAIS stakeholder engagement plan;
 - At the invitation of the Market Conduct Working Group, Birny attending the April 2017 working group meeting and making a presentation on insurers' increasing use of big data;
 - Birny and Peter Kochenburger (University of Connecticut) attending the June 2017 Global Seminar and both presenting as members of panel sessions;
 - Birny preparing detailed comments to both the NAIC and the IAIS on proposed revisions to the IAIS ICPs 1, 2, 18 and 19;
 - At the invitation of the Market Conduct Working Group, Birny attending the September 2017 working group meeting to discuss proposed revisions to ICPs 18 (Intermediaries) and 19 (Conduct of Business) and to participate in working group discussions of work plan related to insurers' increasing use of digital technology.
 - Birny, Brenda Cude (University of Georgia) and Sonja Larkin-Thorne (Consumer Advocate) attending the IAIS Annual Conference with Birny and Brenda making presentations as part of panel sessions.
- NAIC consumer representative participation in IAIS stakeholder meetings held in connection with NAIC national meetings and in several stakeholder conference calls.
- IAIS staff reaching out to NAIC consumer representatives to help identify and network with other consumer stakeholders.

This list of activities and accomplishments demonstrates the significant improvement in consumer stakeholder participation at the IAIS in just a few years – thanks to NAIC leadership and financial.

It is important to acknowledge both the NAIC and the consumer representatives for the accomplishments in 2017. The NAIC agreed to more than double the 2017-budgeted amount for IAIS consumer participation travel from about \$6,171 to nearly \$13,000 in response to the greater-than-anticipated opportunities for IAIS consumer participation. In addition to the significant time commitments by NAIC consumer representatives for travel and preparation and presentation of written and oral comments, CEJ provided financial support beyond that of the NAIC to allow Birny to participate in and present at the IAIS Global Seminar.

While progress has been made, the job of institutionalizing consumer participation at the NAIC is not finished and the need for NAIC support of consumer participation at the NAIC continues. In addition to maintaining current activity, areas for further improvement and participation include:

- Improved NAIC consumer representative participation in IAIS events and working group meetings – attendance by more NAIC consumer representatives at major events and/or attendance at additional meetings and events. While participation via teleconference or videoconference is important and feasible, a consumer stakeholder’s effectiveness in this type of engagement will be enhanced if the IAIS members already know and have a relationship with the consumer stakeholders.
- Convincing the IAIS to formalize consumer participation through a consumer stakeholder advisory committee and through IAIS financial support for consumer participation
- NAIC consumer representative participation on a broader set of issues at the IAIS, including financial inclusion/microinsurance and macroprudential surveillance, among other issues.
- Participation in events not sponsored directly by the IAIS or the NAIC but at which insurance supervisory standards and policies are discussed by NAIC and IAIS members, such as the annual Global Insurance Supervision conference or insurance capital standard meetings organized by the Federal Reserve Board or Federal Insurance Office.

We note that the budgeted amount for IAIS participation has fluctuated since the first year of support in 2013:

2013	\$10,000
2014	\$40,000
2015	\$40,000
2016	\$6,171
2017	\$6,171 (supplemented by an additional \$6,747 in August 2017 for a total of about \$13,000)

Based on the documented success of NAIC support for consumer participation in international insurance supervisory discussions and based on documented opportunities and need, we ask the NAIC to

1. budget \$20,000 in 2018 for international consumer participation; and
2. allow participation in events not directly sponsored by the IAIS or the NAIC if
 - a. the event is directed at international insurance supervision or standard setting and involves substantial participation by NAIC or IAIS members; and
 - b. NAIC international consumer representatives, relevant NAIC staff and NAIC officers agree that participation in such an event is consistent with the purpose of the NAIC international consumer participation program and is an effective use of the NAIC international consumer participation funds.

Thank you for your consideration.

Sincerely,

Birny Birnbaum, Center for Economic Justice and NAIC Consumer Representative

Brenda Cude, NAIC Consumer Representative

Peter Kochenburger, NAIC Consumer Representative

cc

Eric Thompson, NAIC

Lois Alexander, NAIC