

IAIS

Day 1

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FLASHBACK to 10th IAIS

All About Building Competence

Responding to the challenges of globalisation, liberalisation and market reforms and the greater need for regulators to learn from each other and act in concert, the 10th Annual Conference of the IAIS, held for the first time in Asia in Singapore, saw a record turnout with some 400 delegates and adopted the revision of core principles on insurance supervision.

The five set of rules adopted in Singapore include the Insurance Core Principles (ICPs), the Supervision of Reinsurers, Solvency Control Levels, Use of Actuaries, and Stress Testing, whose adoption were indeed major milestones in the work of the IAIS as an internationally recognised standard-setter in insurance supervision, said Mr Manuel Aguilera-Verduzco, Chairman of the IAIS Executive Committee.

"This set of new ICPs will form a globally accepted framework for supervisors and regulators from all jurisdictions to work upon to improve the development and transparency of the insurance markets in their home city," said Dr Yoshihiro Kawai, Secretary General of IAIS, who also stressed the industry's call for more transparent and efficient supervision.

Setting Global Standards

The key message was the potential benefit of the ICPs and methodology as a tool to align supervisory and regulatory expectations between insurance supervisors and industry practitioners, and the all important need for supervisors to build a reliance relationships with insurance professionals to achieve more efficient and effective supervision of insurance entities.

FORWARD to Jordan

The setting of the global insurance industry has, over the 12 months, shown the relentlessness of the barrage of changes. The interim talk of a softening market seemed to have been somewhat quelled with the historic occurrence of the "first time" that four hurricanes have hit the US with the net insured loss estimated at US\$27 billion already.

What will the message from Jordan be? There has been a lot of work put into behind the scenes to achieve more results on a whole range of issues with more guidelines to be adopted.

A New Epoch

But one thing is clear as the IAIS enters a new epoch of more hectic activities: most regulators have started giving not just attention but priority to the IAIS and its activities.

With the onslaught of emerging new risks challenging the very fabric of what is a risk, be it terrorism, money laundering, cross-border infectious diseases, corporate governance scandals that affect equity markets across the board, and the greater powers and weight of the global MNCs, insurance supervisors and regulators have no choice but to seek guidance from global best practices.

Shield of Best Practices

Global best practices can lead to mutual recognition, uniform formats in reporting as well as standards in capital adequacy and solvency margins. This could lead to giant steps that free up capital for more efficient use.

The all embracing impact of globalisation and the sheer rapidity of the changes mean that one cannot take refuge alone in domestic rules and regulations anymore. Global best practices is the best guidance, the best refuge and the **ONLY** solution, lest one be left in a lonely vigil, in search of that elusive magic wand that the insurers and reinsurers seem to think that regulators have hidden somewhere.

Blowing in the Wind

Then the Question is: Can these global best practices be easily identified and defined without raising the cost of regulatory compliance for the industry and without losing the supervisor's basic mandate of insurance supervision premised on protection of policyholders' interest.

And to dream with colours: can IAIS evolve into a supranational body for insurance supervisors? Or is it even in the interest of the insurance industry to have such a force?

The answer must be blowing in the winds of Amman, no matter how dry they are. It's crystal clear that the time is now to drag the industry into active engagement with the IAIS beyond mere observer status. They must be forced to give real and active inputs and not be permitted to stay on the sidelines, ready to pounce with "wisecracks" and "moans" after the fact.

Expectations of The IAIS in Jordan: The Wish List Aplenty

IAIS means many things to many members aside from being the standards-setting body for the industry. Here we bring you the views of some supervisors on what they expect out of Jordan.

Ms Potjaneer Thanavaranit, Director-General, Department of Insurance, Ministry of Commerce, Thailand

With the development of the insurance core principles, the IAIS has become a very useful platform for regulators to conduct a self-evaluation process and exchange ideas with international regulators.

All insurance supervisors should do a self assessment to see how far you've developed and how in line your practices are with international standards of best practice. It is very useful to countries like Thailand, and for the forum to be effective; we have to contribute our views as well to the IAIS to ensure there is on-going exchange, and not just one-way dialogue.

I am most interested in liberalisation issues in emerging markets, anti-money laundering measures and accounting standards and hope to gain a deeper understanding of the new issues in these areas at this year's meeting.



Mr Richard Yuen, Commissioner of Insurance, Hong Kong

As a new regulator and a first time participant to the IAIS, I'm looking forward to the opportunity of meeting my international counterparts. The industry is currently going through challenges of globalisation and convergence with lots of things happening. It will be a good opportunity to draw on the experience of what other countries are doing to cope with these changes.

In Hong Kong, we have 133 insurance companies, half of which are foreign owned so whatever regulatory changes are made, we have to stand in the shoes of these companies while ensuring consumer interests are taken care of.

Insurance fraud in recent years is drawing more attention and inevitably the industry is prone to it, either on the individual or corporate front. Exchange of experience, intelligence and dialogue with other regulators will help spot the early warning indicators.

Mrs Hauw Soo Hoon, Executive Director, Insurance Supervision Department, Monetary Authority of Singapore

From the session on "What Issues Keep Regulators and CEOs Awake at Night?", I hope to learn of the similarities and differences between the interests and priorities of the panelists, and how they will be working together to address the challenges facing them. On the session on "Implication of Liberalisation on Regulation", I'd like to find out more about what risks this brings, how people are coping with them, the kind of supervision that will need to be brought to bear on the industry to remain relevant in the new environment, and how we as regulators can help the industry to recognise and deal with the risks of liberalisation (and vice versa).

We are now doing a self-assessment of the new 28 Insurance Core Principles (ICPs) to evaluate the extent of our observance with the new principles. We make a point of sharing the ICPs with the companies under our supervision to let them know the source of reference for our thinking. This improves transparency with the industry and shows the insurers explicitly the standards against which MAS place ourselves, and enforce a sense of discipline on the work we do.

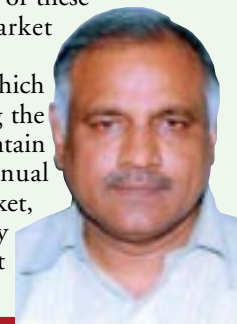
The IAIS is not only a standard-setting body, it is dedicated to training insurance regulators all over the world, even non-members.



Mr C S Rao, Chairman, Insurance Regulatory and Development Authority, India

A noteworthy feature in the discussions will be the stress on the recent trend towards a market-friendly supervisory approach. There is a need to expand cooperation to cover regulatory issues beyond enforcement. I am sure that the participants will gain insights based on international experience on the impetus that supervisory authorities would be expected to give in each of these areas to promote prudential supervision and improve market discipline.

Insurance regulations involve regulating dynamic markets which call for ability to come up with new approaches for addressing the challenges presented by changes in markets in order to maintain the highest standards of policyholder protection. The Annual Conference provides the opportunity to understand the market, the issues that require resolution, the manner in which they are addressed by different jurisdiction and to suggest the most appropriate way to handle them.



Mr Mark Wei, Director General, Insurance Bureau, Financial Supervisory Commission, Taiwan

The IAIS is an excellent opportunity to interact with other regulators. Taiwan has followed the core principles very closely and we have come up with our own set of guidelines based on them. During this meeting, I hope to renew friendships and learn more about how other jurisdictions are coping with pensions and catastrophe insurance, as well as to explore new techniques in risk management and investment.



AND THE CHAIRMAN SAYS:

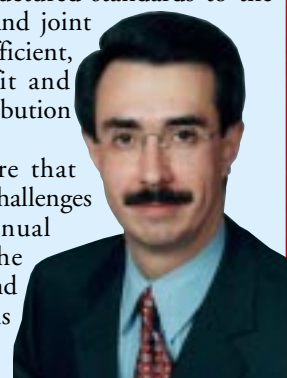
Mr Manuel Aguilera-Verduzco, Chairman of the Executive Committee of the IAIS

IAIS' Annual Conferences represent, in a sense, a stop in the road, the moment to collect the proceeds of the outstanding hard work done by all its working parties. It also represents the possibility to carry out a preliminary assessment of the efforts and to take a glimpse of the challenges that our Association will face in the future.

Four new IAIS papers will be presented before the General Meeting: the *Principles on the Supervision of Insurance Activities on the Internet*; the *Standard on Disclosures concerning Technical Performance and Risk for Non-life Insurers and Reinsurers*; and two Guidance Papers, one referring to *Investment Risk Management* and the other one related to *Anti-money Laundering and Combating the Financing of Terrorism*.

These IAIS papers represent a step further in the collaboration in creating international consensus towards the construction of structured standards to the overall supervisory regimes. Alongside, these persistent and joint efforts will facilitate the creation and maintenance of efficient, fair, safe and stable insurance markets for the benefit and protection of policyholders worldwide, as well as a contribution to financial stability.

It is important to stress that our goal is to ensure that insurance supervisors can face up together the enormous challenges that lie before us. In this sense, the IAIS' 11th Annual Conference represents an important step towards the construction of a sound international insurance sector and definitively, an inspiration to keep on our efforts in this endeavour.



AND THEY ALL SAY:

Congratulations and thank you to the brilliant and inspired leadership of Dr Bassel Hindawi and the Insurance Commission of Jordan in putting together this event in Jordan, birthplace one of the oldest civilisations in the world with its enormous tourist appeal.



Dr Bassel Hindawi

From the Organiser's Files

Ms Taghrid Hijawi, Director of the Development & External Affairs Department, Insurance Commission, Jordan, gives a quick recount of the trials and tribulations of organising this 11th Annual Conference.

The great day we have been working towards tirelessly over the past 12 months is now upon us. All that hard work and late nights has finally paid off. It is a crowning moment for us to welcome more than 350 regulators, chief executives and other industry representatives to Amman for the IAIS being held for the first time in the Middle East in its 11-year history.

Given the fears of the situation in the Middle East, Iraq and terrorism, the numbers show that our perseverance and efforts to reassure the insurance community of the safety of Jordan and its track record in hosting several major international financial services events seem to have paid off.

The Sheer Task

Hosting a major event like the IAIS Annual Conference, aside from being an honour, is sheer hard work. The demands on the logistics and human resources were just unimaginable. The Development & External Affairs Department, the main Department responsible for organising the conference, had the task of managing the daily challenges and routine task of getting the show on board with the right tone and tenor.

The Marketing Drive

We spared no effort in marketing and promoting the conference in every way possible starting with the 10th Conference in Singapore, a natural regional hub where most people congregated easily. Amman was different. Aside from the natural pull of those committed to the IAIS and its fundamental principles, we had a challenging task to persuade many people that it was going to be business as usual at the 11th Conference in terms of safety and security. We took a decidedly active role to be present in most of the different events regionally and internationally to promote the conference. Where we couldn't take part in an event, we still reached out with our brochures made available at these meetings.

Engaging in Dialogue

We also strived to position the Conference as trying to get the CEOs of the industry and the regulators to engage in active dialogue as the industry was moving towards common standards and principles.

This will be a major challenge at the Meeting, as we believe that both camps should talk to each other to ensure that the regulators get the right feedback from those affected by the IAIS rules and core principles.

The Extension of the Deadline

The registration deadline was 5 September to give us time to finalise the delegates' list, to prepare the badges and the relevant material for each different event. However, so many applicants were received after the deadline that we had to effectively extend the deadline to 15 September.

With such a short lead time, we were faced with added work pressure with some of us working on weekends and sometimes even late into the night till 10pm on week nights.

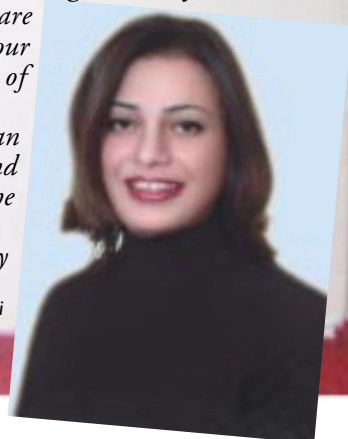
A Final Thought

Although the situation in Iraq did have an effect on the numbers that finally registered, I think the attraction of Amman and the historic sites of Petra, the tourist delights of the Dead Sea and the rest of the country, plus of course the importance of the IAIS as a global body setting guidelines for regulators and supervisors, are factors that made the final number attractive. On our part, we are more than satisfied with the list of participants.

In the end, I think we managed to put together an interesting event in terms of the conference topics and the evening programme that is very important to the success of any event.

As your hosts, we sincerely hope that you will enjoy your experience in Jordan.

Ms Taghrid Hijawi



The IAIS – A Guiding Light For All In the Changing Global Insurance Industry

IAIS is 10!! From its early days of being an adjunct meeting to the NAIC, the IAIS, with the tide of globalisation redefining every national boundary in business, has formed to become the beacon of guiding light for supervisors around the world. The foundation is full in place and the next sprint of the IAIS will make even more emphatic waves on the global insurance industry. Through the 10 years, it has come a long way in promoting cooperation among insurance supervisory authorities, setting international standards for insurance supervision and regulation, providing training to members and coordinating the work with regulators in the other financial sectors and international financial institutions.

The IAIS issues global insurance principles, standards and guidance papers, provides training and support on issues related to insurance supervision, and organises meetings and seminars for insurance supervisors. The IAIS works closely with other financial sector standard setting bodies and international organisations working to promote financial stability. It holds an Annual Conference where supervisors, industry representatives and other professionals discuss developments in the insurance sector and topics affecting insurance regulation.

The IAIS Executive Committee: The Driving Force

The Executive Committee, whose members represent different geographical regions, heads the IAIS. The three main committees – Technical, Emerging Markets and Budget, – organise subcommittees, subgroups, working groups and task forces, as needed, to accomplish their objectives and support the Executive Committee.



IAIS Executive Committee members (L-R):

André Swanepoel (South Africa), C S Rao (India), Jan Monkiewicz (Poland), Tom Karp (Australia), Hauw Soo Hoon (Singapore), Victor Rod (Luxembourg), Makoto Hosomi (Japan), Manuel Aguilera-Verduzco, Chairman (Mexico), Bassel Hindawi (Jordan), Carl Hiralal (Canada), Björn Skogstad Aamo (Norway), Yoshihiro Kawai, Secretary General

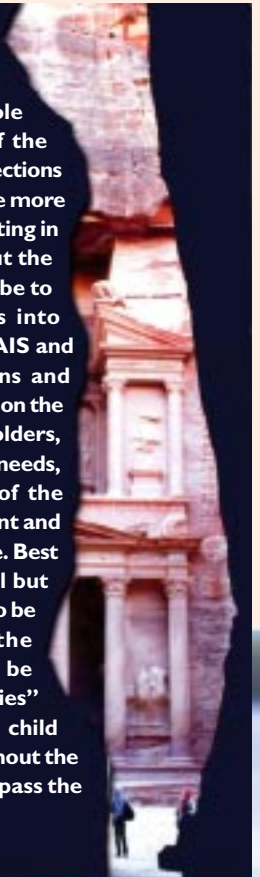
The IAIS Secretariat

The IAIS Secretariat is the team that makes it all happen within the IAIS which has about 180 supervisors as members and some 70 observers representing industry associations, professional bodies, insurers, reinsurers, consultants and international financial institutions. The team is made up of: Yoshihiro Kawai (Secretary General); Catherine Lezon (Deputy Secretary General); Luc Cardinal, Lonny McPherson (Members of Secretariat); Emmanuel Avril, Peter Cooke, Alex Lee, Makoto Okubo (Advisors); Choon Blanchard, Anne-Marie Kelly (Administrative Assistants); Masako Anan (Technical Assistant); Bridget Thomas (Technical Administrator); and Nina Arquint (Database Administrator).



What the Future Holds

Jordan has an important role to catalyse the activities of the IAIS and set the strategic directions for the next decade. There are more guidelines and principles waiting in the wings to be adopted. But the real challenge in Jordan will be to bring the industry leaders into greater dialogue with the IAIS and the supervisors. Regulations and supervision, albeit premised on the mandate to protect policyholders, must act in concert with the needs, demands and capabilities of the industry players to be relevant and effective in the business sense. Best practices are lovely to extol but they should be within reach to be internally embraced by the companies. If not, they will be left untouched in the “trophy” cabinet, as a symbol of the child fulfilling a father’s dream without the passion for the dream or to pass the torch on.



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