

IAIS

Day 2

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A Salute to Jordan

Jordan has indeed surpassed all expectations with the arrangements for the 11th IAIS with 380 delegates from more than 80 countries attending the event in Hashemite capital, Amman, amidst its lure of rich history.

Despite fears in some quarters that Jordan was so close to Iraq and that Jordan boasted of only a small insurance market, the delegate numbers were not disappointing, with many paying kudos to the Insurance Commission of Jordan for having put up the event so successfully despite being only recently set up in 2000. The Conference also managed to pull in delegates from the private sector which made up almost 15% of the total number, with the Japanese industry fielding the largest number, other than host country, Jordan.

In his opening address, **Mr Manuel Aguilera-Verduzco**, Chairman of IAIS, spoke about the urgency of setting an international regulatory standard on solvency that captures the unique

diversities of each country and which all jurisdictions can adopt.

With more work ahead than behind them, he stressed that the IAIS had to strive to identify and anticipate future challenges and the organisation requires active participation from both the regulators and the industry of all jurisdictions to remain relevant and close to the ground.

Adding that the IAIS has evolved from an infant organisation set up in 1994, Mr Aguilera-Verduzco is confident that the next few years would prove that the IAIS is a mature organisation capable of creating stable and efficient insurance markets around the world.

In Thought, Word, Deed and Action

Noting that the theme of the conference – “Globalised Insurance Markets – Challenges and Opportunities”, highlights the challenges that the changing world brings to a globalised insurance industry where markets are increasingly closely interrelated, **Dr Bassel Hindawi**, Director General, Insurance Commission of Jordan, said that the challenges presented opportunities which have to be actively explored and consciously exploited by regulators, insurers and reinsurers both at the technical and business levels.

And the man who worked so hard to bring the IAIS to Jordan, for the first time in the Middle East and North African region, in turn paid tribute to the IAIS as offering a much-needed platform for the international insurance market to be understood in its entirety from a global perspective beyond narrow domestic boundaries. Hailing the IAIS’ efforts to introduce principles, standards and guidance papers to build a well-structured regulatory and supervisory regime as a crucial step in the right direction towards stable global insurance industry, he called on the regulators, insurers and reinsurers to strongly support the process and rules in “Word, Deed and Action”.



Mr Aguilera-Verduzco

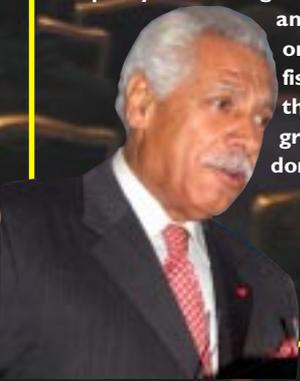


Dr Hindawi



“The successful formation of the Jordan Insurance Commission in 2000 was in line with the Government’s policy of minimum intervention in the economic policy. It laid the ground for strengthening capital base and capital adequacy and reserve policies which helped companies meet ongoing challenges. Not only did it succeed in improving fiscal stature but it also enhanced financial stability... Over the years Jordan has enjoyed tremendous economic growth and has become an attractive destination for both domestic and foreign capital.”

His Excellency Akel Bittaji,
Adviser to His Majesty, in his Keynote Address
on behalf of His Majesty King Abdullah II,
King of The Hashemite Kingdom of Jordan



Burden of Good Governance Placed on Board – Dreams and Realities?

With the scandals of Enron, world.com and Parmalat still fresh in the minds of the business community and the world over, the issue of good corporate governance, how to regulate for it and how to ensure that companies embrace it as a matter of principle in spirit and not just lip service, continue to draw widespread discussion and debate. **Mr Bjørn Skogstad Aamo**, the Director General of Norwegian FSA, who chaired the panel, said that both regulators and the insurance industry face the common challenge of confidence building corporate governance (CG).

Invariably at the core of CG are the duties and responsibilities of the Board of Directors in ensuring that there is good governance within the company. It's all about internal control and management.

All the three panelists at the session yesterday on corporate governance in insurance alluded to the all important role of the Board in ensuring effective governance whose outcome must be that an insurer complies with all rules and laws, is a good corporate citizen balancing interests of owners, policyholders, employers and community generally, and most importantly is able to meet policyholder obligations even in stress situations.

Mr Grant Kirkpatrick, Corporate Affairs Division of the OECD, in presenting the revised OECD Principles of CG, referred to the Board as the fulcrum between management and shareholders, guiding corporate strategy and establishing risk policy, setting the ethical tone and compliance culture with the necessary incentives and feedback. The Board must be independent of management and of blockholders and controlling shareholders as well as devote enough time and effort to their board responsibilities. Hence selecting the right board members with appropriate qualifications is a major issue.

Echoing the difficulties of finding qualified people to serve as directors, **Mr Tan Beng Lee**, CEO of Great Eastern Life, a leading listed company in Singapore with asset base of S\$11.7 billion (US\$69.3 billion) that complied with the CG Code a year earlier than required by law and was one of eight winners of the Singapore Corporate Governance Award, said that a real challenge to the company was the "shortage of capable and truly independent directors" and for an insurer, the greater difficulty is getting an independent director with insurance and regional experience, he added. GE has five independent directors out of a board of eight and formally assesses the performance of each director through inputs from the other directors. In Singapore, the balanced approach towards CG is adopted with the best practices enshrined in the Code from which companies can deviate but must disclose and explain the differences. The Monetary Authority of Singapore has issued Guidelines for CG for Financial Institutions including insurers which are stricter than the Code.

In his presentation, **Mr Tom Karp**, Chair of the IAIS Technical Committee, said that the Board "leads in establishing insurer's culture, ethical values and business behaviour" as it is the focal point of the governance system to approve, delegate authority for implementation and bear ultimate responsibility to ensure compliance. Outlining the necessary attributes of the Board as independence (free of mind and free from other parties); expertise (with collective business wisdom), diligence (time and willingness to learn and probe); prudence; and transparency, he said that a board with these attributes is

"more likely than others to perform strongly and effectively in the interests of beneficiaries and other stakeholders."

"And more so if the Board actively renews itself and draw on fresh ideas with enthusiasm," he added.

As far as behaviour pattern goes, the Board must ensure that the supervisor has full and co-operative access to all information needed for proper risk assessment, is aware of the material issues raised by the supervisor and critically assesses management's proposed responses to these queries and issues, said Mr Karp.

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What Keeps Regulators & CEOs Awake at Night?

Not that the industry players are insomniac looking for things to keep them awake at night, which one panelist said was too passive a reaction anyway, but the Q&A on issues that kept CEOs and Regulators awake was a lively hit at the Conference with regulators, CEOs, a rating agency and a journalist sharing their top concerns for the industry. There was no dearth of issues of concerns to the panel, chaired by **Mr Patrick W Kenny**, President & CEO of International Insurance Society (IIS), where even rumours were raised discussed dissected and acted upon as delegates got into a comfort zone just before the lunch session. Here, we bring you one concern each expressed by each of the panelists, be it a nightmare, an advice, a tip or just operational strategies and concerns.



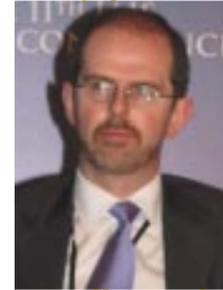
Mr David Walsh, CEO, SBLI USA Mutual Insurance Company

It is not bad news that keeps me awake at night, it is uncertainty. The industry has learnt to address and handle bad news quickly. The problem is frictional cost and inefficiency of issues that are not quantifiable – the lack of conformity, uniformity and inconsistencies in market practices is what keeps me awake.

Mr David Strachan, Director – Retail Firms, Financial Services Authority (FSA), UK

Sleep has been a bit easier this year than last year. The big issue as a regulator is to be able to spot the next major problem or issue for the industry. On one hand, the industry has proven resilient but we are increasingly vulnerable to shocks and are still fragile. However, we don't lie awake worrying about it as that is very passive. Instead, we make sure we have the right intelligence and information to understand what worries CEOs and the industry at large.

Also, as a regulator, we must satisfy ourselves that companies are managing risks properly by performing stress scenario tests to different vulnerabilities.



Mr Alessandro A Iuppa, Superintendent of Insurance, Maine Bureau of Insurance, USA

The financial condition of companies in my jurisdiction would be what I am most concerned about. This would include the market conduct of these companies, whether policyholders are being treated fairly in accordance with their contractual rights, and will there be property cover available.

Mr Takeo Inokuchi, Chairman & CEO, Mitsui Sumitomo Insurance Company, Japan

A nightmare is the leakage of personal data of policyholders with the infringement of privacy and severe repercussions. The global harmonisation of insurance supervisory standards leading to a more uniform assessment of financial soundness of insurance companies is to be welcome provided there is clear methodology to the calculation of risk and risk capital with strict requirements of compliance and transparency.



Mr Mark Hewlett, Managing Director, Moody's Investor Services

Uncertainty is one of the critical element. In insurance, there are several probability scenarios used. But even with the best skills and will, how certain are you about the probabilities? With four hurricanes hitting in such a short period of time, in the past month, the whole issue of the accuracy of the probability is raised.



Rating agencies do not want to take on the role of de-facto regulator but our important role would be to highlight areas of concerns and the ability to put these concerns across.

Mr Sivam Subramaniam, Editor-in-Chief, Asia Insurance Review

The worst nightmare for an insurance journalist is when there is open, direct and full dialogue between regulators and insurance executives. Then there'll be no need for the insurance press to fill the gap.

The greatest concern is the degree of "disconnect" and gap in what regulators want for the industry and what CEOs want. The sooner this is accepted and internalised, the easier it would be to move forward fast. Both must work to reduce the cost of capital in the insurance business as there is a major concern given that shareholders are ready to move the money to where the returns are stable and attractive.



iais & jordan

BY THE NUMBERS

IAIS represents supervisory authorities of



180 jurisdictions,
in more than 120 countries,
constituting 97% of the world insurance premiums

IAIS was founded in 1994

28 core principles

cover all aspects of supervisory framework.



The population of Jordan is

5.4 million

Total premium income as at 2003 in Jordan is

US\$220 million,

an increase of almost

50% from 2002

Jordan's non-life sector is much bigger than life at

US\$192 million

while life premium is

US\$28 million

for 2003

As of 2000, there are

1,873 people

in Jordan's insurance sector

Jordan's GDP as at 2002 is

US\$22.63 billion

while its highest point is Jabal Ram at

1,734 m

Jordan has the lowest point on earth (the Dead Sea) at

-480m



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SCENE+HEARD
**Welcome
Cocktail**

It was a night of candles and bagpipe music as delegates of the 11th IAIS mingled under the stars at the Welcome Cocktail. Here's a selection of some of our favourite Kodak moments ..

