

IAIS

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Don't Go Global With RBC Yet

It is a given that RBC is the way to go to ensure capital adequacy and solvency in the most efficient way possible. But can this be stretched a step further to standardise RBC around the world?

The immediate response from the CEO at the panel on "Towards More Risk Based Solvency" was that it was too early in the day as there is yet no agreed common international valuation standard. **Mr Victor Apps**, Senior EVP of Manulife Financial, said the reserve basis must be adequate, mandated and have teeth with no exceptions granted. But he felt that there should be simple RBC measures for smaller companies and more sophisticated RBC methodology for the bigger boys.

Mr Rob Esson, Chair of the Solvency and Accounting Issues Sub-committee,

who led the session, said that the objective of common standards and structure should enhance transparency, reduce arbitrage, support level playing field and international co-operation, increase confidence, reduce compliance costs and optimise use of resources.

Ms Rana Tahboub of Insurance Commission, Jordan, gave the example of how Jordan was implementing RBC

Learning From Basel II

Mr Karl Cordewener, SecGen, BCBS, extolled the virtues of Basel II based on the three principles of aligning capital more closely with risks, placing more emphasis on the bank's internal methods and improving supervisory review and improving market discipline through transparency.



Mr Victor Apps



Mr Rob Esson



Mr Karl Cordewener



Ms Rana Tahboub

Liberalisation: The Way Forward

Going beyond the polemics and politics of liberalisation, and how IAIS can contribute to the process more actively, the Panel on

Implications of Liberalisation on Regulation saw a display of concrete examples of the benefits of an open market.

Mr Katsuo Matsushita, GIA Japan, cited the example of how the industry initiated the drive towards mergers and consolidation, leading to more intensive competition in the market, while **Mr Nic De Maesschalck**, WFII, hailed the EU rule that saw a single licence for intermediaries to enter some

25 jurisdictions by just setting up in one member state.

Mr Alastair Evans of Lloyd's, who chaired the Panel, said that the benefits of liberalisation as a win-win was

readily recognised. The IAIS core principles played a useful role in helping insurance regulators win the liberalisation debate in their home markets as they offered examples of best practices to strive for.

Mr Juergen Huppenbauer, GDV, said that sound prudential rules were a prerequisite for liberalisation, while **Mr Christian Pierotti**, CEA, exhorted the biggest advantage of liberalisation as being the greater risk

sharing that enhanced financial stability, if properly undertaken. **Mr Brad Smith**, American Council of Life Insurers, alerted regulators to be ready for the forthcoming negotiations under the WTO, while urging them to use the Proposed Model of Insurance Commitments in scheduling commitments under the GATS.



Mr Katsuo Matsushita



Mr Nic De Maesschalck



Mr Juergen Huppenbauer



Mr Alastair Evans



Mr Christian Pierotti



Mr Brad Smith

Regulators Give Their Thumbs-up For IAIS 2004

Trust Is Key To Mutual Recognition In Reinsurance

It might not be a holy grail but mutual recognition of reinsurance is still a tricky issue as reinsurers seek to find ways in which they can be "regulated once in one jurisdiction and not three times or more by various jurisdictions", as **Mr Ralph Vogelgesang** of Munich Re aptly put it.



Mr Ralph

At the session chaired by **Mr Alessandro Iuppa**, Superintendent of Insurance, Maine, it was clear that there seems to be an emerging consensus among industry players and regulators that mutual

recognition should be the ultimate goal. But, more work needs to be done. They are confident that something will be laid out on the table within the next few years. The IAIS can help a great deal in the process as "trust", a key ingredient in mutual recognition, is already present in ample dollops here.

Identifying that trust and control were the key cornerstones of mutual recognition, and representing the European perspective, **Mr Thomas Steffen** of CEOPS said there must be trust among the countries who are working towards attaining this goal and at the same time, there must be control whereby each country will get to know how the other jurisdictions work, so that if there are any problems, such as the weak positions of some reinsurance companies in their countries, this can be worked upon by all members. This should help reinforce the trust and avoid the problem of to penalise the regulatory body that had failed to supervise its reinsurers adequately? He advocated an early warning system to be shared among countries.



Mr Thomas

Concurring, **Ms Marie Louise Rossi**, IUA, said that the new regulation, when it happens, should be cost-effective and should not reduce the current flexibility and freedom of doing the business.

Mr Bradley L Kading, RAA, said that the US requires certain pre-conditions to be met before overseas

reinsurers can operate in the US but they are working hard with Europe and Asia to move towards mutual understanding of these requirements.



Ms Marie Louise

Mr Yassir Albaharna, ARIG, said that the Middle Eastern and African jurisdictions in which reinsurance was still in its infancy, will look towards working at fora such as the IAIS to learn what the best practices are.



Mr Bradley



Mr Yassir

Mr Ludovic M Zaghloul, Technical Advisor, Jordan International Insurance Co "The sessions were informative and productive. This is my first time attending the IAIS and I particularly find the session on Mutual Recognition of Reinsurers to be good."



There is no doubt that the IAIS conference was a roaring success judging by the number of delegates that showed up in full force this year in sunny Amman, despite initial concerns about the situation in the Middle East. The IAIS Daily caught up with some regulators – ranging from faithful veterans to eager first-timers – and found out that the common call for standardisation in supervision remains top on their wishlist. Here are we bring you some snippets and reasons why the IAIS remains a not-to-be missed meeting in an insurance regulator's calendar.

Ms Tomoko Amaya, Director for International Insurance Services International Affairs Division, Financial Services Agency, Japan "The issue of standardisation is very important for all of us here. We may call it by different names such as consistency, harmonisation, standardisation, but our aims are all the same. It doesn't matter what it's called, what's important is that the industry and regulators around the world agree on common ground."



Mr Carl S Hiralal, Director Principal Office of the Superintendent of Financial Institutions, Canada "We were one of the first regulators in the world to adopt the integrated system of banking and insurance and this has helped us develop a consistent framework to supervise the financial industry. Canada has started from a position of strength as a lot of the new guidelines and standards developed by the IAIS have already been implemented in our country. The value of IAIS to me is the networking with international

counterparts. As financial institutions become large international conglomerates, it's important for regulators to meet and interact as it's impossible for one regulators to regulate them. If we have an international standard, that will also help share the burden of the cost required if each jurisdiction were to do it themselves."

Mr Nick Foster, Actuary, Insurance Division, Government Actuary's Department, UK "Although it is very difficult to achieve standardisation of regulation, the important point is that we are working towards it. If the banking sector can achieve this, I'm sure the IAIS can too. Perhaps the key to standardisation is to look at the aggregates of reserving basis and capital rather than the other elements."



H.E. Dr Muhammad S Al-Jasser, Vice Governor, Saudi Arabian Monetary Agency "This is the first time I am attending the IAIS annual conference as we are just starting on the international insurance scene. It is a great place to interact, to learn from each other, to share and to network."



Mr Ramesh Raj Bhattarai, Director, Beema Samitti, Nepal "The highlight of the meeting is the sharing of experiences in a challenging global insurance industry. For an emerging market like Nepal, it's especially useful as we can learn from the more developed markets and match solutions for our local market. I have been attending the conference for the last 10 years, and it has always been very useful to me."



Mr Julius Tomka, Vice Chairman, Financial Market Authority, Slovak Republic "I was delighted to hear a representative of the Basel II committee acknowledge that the approach taken by the IAIS is very similar to the approach taken by Basel II. It was the first time I heard banking regulators admit that insurance supervisors are just as good as them!"



Ms Nataliya V Balandina, Chief of the Office, State Commission for Regulation of Financial Services Markets, Ukraine "We joined the IAIS just last October so we are very much at infant stage. It is definitely a good place to get contacts, lessons, to get to know what is going on in other jurisdictions and to sit down with a group of regulators at a table to discuss some similar problems. Our key interest is the regulation of motor insurance. We want to see what are the international best practices for this class of business and to find out from other jurisdictions how some of the problems are solved. The only difficulty I have is trying to find all the people I want to see as I do not know their faces!"



Ms Evelyn Nkalubo-Muwemba, Secretary to the Commission/Deputy Commissioner (Finance & Admin), Uganda Insurance Commission "It is good to interact with other regulators and to find out the various views of the international community. For me, the most interesting session was the one on What Keeps CEOs Awake At Night. I learnt that there are different problems experienced by developing and developed nations' CEOs. I also think that we should seek the harmonisation of regulations first rather than standardisation which is more difficult. With harmonisation, you just need to get your regulations more or less in line with everyone's else. Standardisation can come after that."



Dr Giovanni Cucinotta, Capo Servizio Studi, ISVAP, Italy "Even though generally supervisory frameworks are the same, it's interesting to pick up the differences and try to implement them back home. I am interested in seeing how to further improve the system in Italy, how risk-based capital assessment is done and how international companies manage their risks."



Mr Donald J Jaganathan, Director, Insurance Regulation Department, Bank Negara Malaysia "The IAIS annual conference offers a platform for various parts of the world to benchmark their best practices and to sequence the regulatory requirements in their own jurisdictions. It is one of the rare forums where you can share and learn from such a wide array of international perspectives. This year's meeting has brought a lot of new insights for me, particularly with regard to the framework for Risk Based Capital as we are adopting that in 2006."

The Dead Sea Beckons: Pack your swimming gear

For those of you unsure about going to the Dead Sea, here is a **WARNING**.

You will live to regret it.

There is nothing more exciting than finding for the first and only time in your life that you can actually float in the sea in a completely horizontal fashion as long as you trust and surrender yourself to the Sea.

Bring along your latest copy of Asia Insurance Review or Vogue or just an empty mind to bask in the glory of floating effortlessly in the lowest point on earth in the Sea which is so salty that there is no fish or sea snake in the water. You will dream... as you look beyond at Israel and Jericho and marvel at the peace you feel within.

The rush of incredible joy is guaranteed. You will recap the moment in tranquility and be able to tell everyone about the wonder of it all.

I have been there, a swimmer though I am not, and am just so wonder struck by it all. Hence, this compulsive urge to make a CALL for all and sundry to change their flight schedules if need be to go to the Dead Sea soiree planned by our hosts for Thursday night.

There is no danger attached to it, maybe just some smarting of the eye should you by chance raise your wet hand to your face. All you need is the wonderful lust to enjoy life to the fullest. And maybe just the courage to parade your swimming gear in front of fellow colleagues.

Money Back Guarantee: So convinced are we that we will offer a full year's subscription to Asia Insurance

Review for free to that one dull soul who can venture into the Dead Sea water and not enjoy the lure of the natural 100% horizontal floatation there!!



AN EVENING @ the CITADEL



IAIS Waltzing to Vienna in 2005

From the biblical land of Amman, the IAIS will move to the home of Strauss – Vienna, Austria in 2005.

In an interview with the IAIS Daily, Mr Peter Braumüller, Director of Insurance and Pension Funds Supervision of the Austrian Financial Market Authority (FMA) expressed his pleasure in hosting the 12th IAIS that will take place from 18 to 21 October 2005. He noted that the meeting was especially timely for Vienna as it would coincide with the 125th anniversary of Insurance Supervision in Austria.

This will be the third time the IAIS will be held in Europe after Paris and Bonn. "It is a real privilege for a smaller jurisdiction like Austria to be given the opportunity to host the IAIS and we are very excited about welcoming delegates to our city," said Mr Braumüller.

Preparations are already underway and organisers expect to finalise a programme by February 2005. Visit www.iaisweb.org for more details! See you in Vienna!



Mr Peter Braumüller



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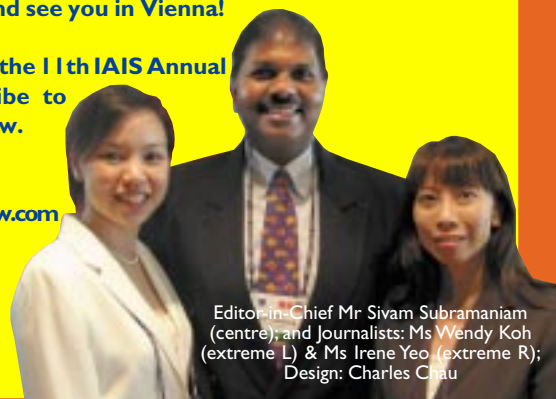
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www.asiainsurancereview.com



The Asia Insurance Review team hoped you enjoyed our daily coverage of IAIS Jordan 2004. Safe travels home and see you in Vienna!

For a fuller report of the 11th IAIS Annual Conference, subscribe to Asia Insurance Review.

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