



Autumn proved to be a busy season for the International Insurance Foundation and for its many partners in providing insurance education for emerging markets. The Brazilian Executive Development Seminar, the Hurricane Mitch Conference, the Toronto Centre, the IAIS Annual Conference, the Regulatory Conference in Beijing, the IAIS Educational Seminar in Pretoria, and the OECD Insurance Committee kept the Foundation's staff occupied in many parts of the world, but the Annual Meeting of the Board in Washington was the highlight.

Quarterly Report

Fall 2000

Board Endorses IAIS Education Program, Prepares to Help India

The Annual Meeting of the International Insurance Foundation Board of Directors began with a reception at the Embassy of India honoring Chairman Rangachary of the Insurance Regulatory and Development Authority. The Embassy, an historic Washington structure, served as the perfect venue for some stimulating informal discussions regarding the new opportunities for insurance in India.



The firm of LeBouef, Lamb, Greene & MacRae hosted the formal business meeting of the Board, which reviewed IIF programs of the past year and considered those proposed for the coming year.

On behalf of the International Association of Insurance Supervisors, South Africa's insurance supervisor André Swanepoel thanked the Board for the Foundation's assistance that has made "the letters IIF nearly a household name among insurance supervisors around the globe." He requested continued support for the IAIS Education Seminars in the coming year, as well as additional assistance with the development of textbooks for insurance supervisors. His remarks appear inside.

The budget approved by the Board provides funds for this work with the IAIS, along with a new initiative to help India develop regulations for health insurance. New directors elected to the Board are:

James F. Dowd, *Chairman*, Odyssey Re

L. Charles Landgraf, *Partner*, LeBouef, Lamb, Greene & MacRae

Alan M. Levin, *Managing Director*, Standard & Poor's

Alan J. Maguire, *President and CEO*, AEGIS Insurance Services

Richard S. Robertson, FSA, *Senior Vice President*, Lincoln Financial Group

Kingsley Schubert, *President and CEO*, ACE International

Keith Shroyer, *Senior Vice President and Chief Underwriting Officer*, Latin American Re

R. Lee Wilson, *Executive Vice President*, AXA Financial

The Board also elected Charles Landgraf as secretary, replacing Jude Kearney, who has moved to South Africa.

Following the business meeting, the Board heard three prominent insurance supervisors describe regulatory challenges facing their own markets and international regulatory responses to financial sector convergence issues. André Swanepoel addressed the supervisory challenges within the South African Market, such as the regulation and supervision of marketing and underwriting to markedly different socio-economic groups. Chairman Rangachary discussed the licensing of new companies in India, expectations for growth in the market, and the regulatory challenges still facing the IRDA.

Completing the Panel was Terri Vaughan, Commissioner of Insurance, State of Iowa, and member of the Joint Forum on Financial Conglomerates. Commissioner Vaughan noted that financial services regulators in the U.S. as well as many other countries have begun both independent and concerted efforts to address new risks in the market created by the convergence of financial services industries.

IAIS Annual Conference Approves New Standards

The International Association of Insurance Supervisors (IAIS) held its Seventh Annual Conference in Cape Town, South Africa, on October 9-12, 2000. A total of 250 insurance supervisors and observers from 78 jurisdictions around the world attended the conference, hosted by the Financial Services Board of South Africa.

Andrew Crockett, General Manager of the BIS and Chairman of the Financial Stability Forum, delivered the keynote address. Various experts contributed to panel discussions of the following issues:



- Reinsurance regulation
- Securitization
- Convergence of financial sectors
- Assessment of observance of IAIS Core Principles
- Insurance on the Internet
- Aids and insurance
- Agricultural insurance in emerging markets
- Compulsory insurance in emerging markets
- Insurance intermediaries and related issues
- Global trade and national supervision of insurance and reinsurance within the WTO/ GATS System
- Best practices of industry self regulation
- Alternative measurements of risk for insurers

At the General Meeting, the IAIS members approved five new or revised papers on insurance supervision:

Insurance Core Principles – The Core Principles were revised to include essential regulatory and supervisory principles on Organization of Insurance Supervisory Authorities, Market Conduct, and Cross-border Business Operations.

Insurance Core Principles Methodology – The Methodology presents detailed criteria for each insurance core principle, which will help supervisory facilitate jurisdictions in carrying out comprehensive, precise, and consistent assessments of their compliance with the Insurance Core Principles.

Principles on the Supervision of Insurance Activities on the Internet – This paper proposes an environment for the supervision of insurance activities on the internet, stressing that supervision of internet activity should be consistent with supervision of insurance activities through other media. The paper also emphasizes the importance of international cooperation between supervisors in this area. Ultimately the protection of the policyholder remains one of the most important tasks of the supervisor, regardless of the medium through which insurance is sold.

Supervisory Standard on Group Coordination – Based on the Coordinator paper issued by the Joint Forum in 1999, which sets general principles for the role of a coordinator regarding the supervision of financial conglomerates, this paper elaborates the principles covering the insurance sector.

Guidance Paper for Fit and Proper Principles and their Application – This guidance paper extends the scope of the Joint Forum paper on the same issues to single insurance entities and to insurance groups. The objective is to ensure that key functionaries do not pose a risk to the interests of present and future policyholders and beneficiaries of these entities.

These papers will contribute to improved supervision of the insurance industry at the domestic as well as the international level.

Education for Insurance Supervisors

by André Swanepoel

Ladies and gentlemen, this is just a great joy to be with you all here today. The more so speaking to such eminent persons who give their time and efforts to a foundation like the International Insurance Foundation.

I do not know whether all of you are acquainted with the IAIS, the International Association of Insurance Supervisors, whom I represent here today. The IAIS is a relatively new organization. Since the mid-1980's, insurance supervisors from around the world have met annually. But as insurance became more and more international, the insurance supervisors agreed to take the necessary steps to formally constitute the International Association of Insurance Supervisors as a sister organization to the Basel Committee on Banking Supervision (Basel Committee) and the International Organization of Securities Commissions (IOSCO), who supervise the other two financial sectors, banking and securities. In 1994, the IAIS was established in the United States. At the beginning of 1998 its permanent secretariat was set-up in Basel, hosted by the BIS.

The Association's membership, currently made up of insurance supervisors from about 100 countries, is growing constantly. Each year 5 to 10 new jurisdictions join the IAIS. Since the end of last year, IAIS membership has also been open to non-regulators, such as insurance companies and other insurance professionals, as observers. The IIF is one of these observer members.



The objectives of the organization are:

- First, to cooperate together to ensure improved supervision of the insurance industry. Your organization had the vision to reach out internationally, and you know that close cooperation between countries around the world is an indispensable foundation for international stability, growth, and prosperity.
- The second objective is to develop practical standards for the supervision of insurance. The IAIS is the standard setting body for insurance supervisors around the world.
- The third objective is to cooperate with other relevant bodies such as the Financial Stability Forum, IMF and World Bank, OECD, and the International Insurance Foundation.
 - The fourth and fifth objectives are closely linked, namely to provide mutual assistance and exchange information. With regard to these objectives in particular, the IIF has played an indispensable role already.

The IAIS does its work through two main committees: namely the Technical Committee and the Emerging Markets Committee. The latter committee is chaired by me currently.

The activities of the Emerging Markets Committee are mainly focused on the training of insurance supervisors from the emerging market countries.

I do not think it is necessary for me to go into the detail of the importance of emerging markets in the global context; suffice to say that the chain could be only as strong as the weakest link.

André Swanepoel has been Deputy Executive Officer of the Financial Services Board of South Africa since 1991. He serves on the Executive Committee, the life insurance Ombudsman's Council, and on the Board of the Insurance Institute of South Africa. In addition, Mr. Swanepoel serves on the King Committee, which was commissioned to revise corporate governance in South Africa. He is a member of the Executive Committee of the International Association of Insurance Supervisors (IAIS) and is Chairperson of the Emerging Markets Committee. He made these remarks at the Annual Meeting of the International Insurance Foundation Board of Directors, in Washington, DC, on November 10, 2000. The International Insurance Foundation assists the IAIS Educational Program in organizing seminars, preparing textbooks, and developing other educational materials for insurance supervisors.

Looking to Africa, from where I come, I won't blame you if lately you thought, looking from this side of the ocean, that the lights start flickering in this previously dark continent.

The IAIS, through the Education sub-committee of the Emerging Markets Committee, has been arranging training seminars on all the continents around the globe. We had seminars and are planning seminars in:

- North America - we had one in the State of Maine recently;
- Canada - we work closely with the Toronto International Leadership center in Toronto;
- Latin America - we had seminars in Mexico and Peru, and we are again planning in these centers as well as in Argentina in 2001;
- Eastern Europe - Poland is a regular regional training center and we plan an additional one in Hungary in 2001;
- Central Europe - a seminar is imminent, organized by the Joint Vienna Institute;
- Asia - seminars were held in Tokyo, Singapore, Nepal, and the next one is planned in Malaysia;
- Africa - seminars were held in Cairo and annually in Pretoria, South Africa.

Attendance at these seminars is normally between 20 and 60 persons.

These seminars would not have been possible if it were not for the valued support of the IIF. The IAIS relies on the IIF's continued support with regard to the selecting of lecturers, ideas on topics, and providing training materials like your occasional papers for instance.

Apart from the aforementioned qualitative type of support, the financial support is naturally critical. The IAIS would be very much obliged if financial support could be forthcoming for the different seminars planned in 2001.

I do want to mention other specific support which do not go unnoticed. This is in the area of providing technical support in the creation of our text books, like the recently completed textbook on licensing, and programs to assist supervisors to, in a practical manner, interact through computerized questions and answers in the learning process

Ladies and gentlemen, this is all I have to say. Our sincere thanks for your willingness to consider these grants and I can assure you that the letters IIF are nearly a household name between insurance supervisors of emerging markets countries around the globe. To paraphrase something which one of our previous prime ministers once said "The consequences of not having the support of the IIF are too ghastly to contemplate."

Commerce Department Organizes Hurricane Mitch Conference

Two years ago, Hurricane Mitch destroyed the homes and businesses of millions of people in Central America, who had almost no insurance to cover their losses. Thus the U.S. Department of Commerce organized a conference titled "Hurricane Mitch: Creating a Vibrant Insurance Sector in Central America," held in San Salvador, September 19-20, 2000. The event gathered U.S. insurance and regulatory experts, U.S. government officials, multi-lateral development bank representatives, and representatives from both insurance and reinsurance companies active in the region to address ways to enhance the region's insurance sector and increase the supply of catastrophic risk information and services. IIF Research Director Ian Webb spoke on "The Insurance Regulator's Role In Natural Disaster Management," the theme of an IIF study in progress under the International Insurance Technical Assistance Partnership. At the invitation of the Natural Disaster ProVention Consortium, the IIF is also working on a comprehensive natural disaster risk management training program for Central American Government Officials.



Regulatory Conference in China

Together with the University of Connecticut Law School and Beijing's University of International Business and Economics, and the International Insurance Council, the International Insurance Foundation co-sponsored the seminar "China after WTO: Challenges and Opportunities," which was held October 15-17 in Beijing. The seminar addressed regulatory and industry concerns as to how the Chinese insurance market will develop both efficiently and orderly once China joins the WTO. Participants included China's insurance and securities regulatory authorities, domestic and foreign insurers, and various academic institutions. IIF Research Director Ian Webb moderated the panel on opportunities and challenges for foreign and domestic insurers.

Toronto Centre

The Toronto International Leadership Centre for Financial Sector Supervision held its first Insurance Supervisor's training session September 24 - 29, 2000. Top-level insurance supervisors from over 12 countries took part in a program that helped them build and hone leadership skills, share real-world experiences, and participate in team problem-solving exercises. IIF Research Director Ian Webb attended the program and explored the possibility of integrating some of the Centre's efforts with IIF programs, inasmuch as they are largely complementary.

OECD Launches Study of Claims Practices

At its November meeting in Paris, the Insurance Committee of the Organization for Economic Cooperation and Development embarked on a survey claims practices in the 29 OECD countries. This international comparison will encourage emerging markets toward prevailing global standards, assist insurance supervisors in identifying the best global practices, and facilitate smoother handling of cross-border losses, as well as help to evaluate the competitiveness of U.S. insurers, independent claims adjusters, third-party administrators, and other insurance service providers in the global marketplace.

The initial step was an exchange of information among OECD members countries regarding their claims practices. Under the auspices of the International Insurance Technical Assistance Partnership with the U.S. Department of Commerce, the IIF drafted an overview of U.S. Claims Practices, which was presented in Paris on November 28 with a panel discussion. Members of the panel representing the U.S. delegation were George Brady, International Counsel for the NAIC, IIF Consultant Gail Burns, Jim Markham of the American Institute for CPCU, and Peter Evans of D.L. Glaze/The ASU Group. Germany, the United Kingdom, Japan, and the Committee of European Associations also presented brief papers on claims practices.

The IIF also assisted in drafting a questionnaire for the survey. The OECD Insurance committee distributed these 37 questions relating to claims practices for completion by the 29 OECD countries by mid-December. Follow-up questions will then be developed based on the responses to the questionnaire.

FUNENSEG Seminar

The fifth annual Brazilian Executive Development Seminar took place in September 2000. Co-sponsored by the IIF and Brazil's national insurance school, FUNENSEG, the seminar brings Brazilian insurance executives to the United States to learn U.S. practices of insurance and reinsurance. The first week of this year's seminar was held at the College of Insurance in New York, and American Reinsurance Company hosted the second week in Princeton, NJ. The program surveyed the P/C, life, health, and retirement markets in the U.S., with presentations focused on loss reserves, claims management, investment procedures, and asset management. The reinsurance portion explored both P/C and life reinsurance topics, including a discussion of reinsurance development in the Latin American region. In addition to the IIF staff, representatives of A.M. Best, American Institute for CPCU, American Re, Arthur J. Gallagher, AXA Financial, the College of Insurance, Employers Reinsurance Corporation, Ernst & Young, Insurance Services Office, Latin American Re, LeBoeuf, Lamb, Greene & MacRae, Liberty International, Lincoln Reinsurance Company, NAIC Security Valuations Office, and Standard & Poor's made presentations. The program also included an historical walking tour of the Financial District and the New York Stock Exchange, and the extra activities organized by the participants included several evenings at Broadway shows. For more information about the 2001 program, please contact Sally Steel.



IAIS and AAISA African Regional Seminar

South Africa's Financial Services Board hosted the Regional Insurance Supervisors' Conference in Pretoria, November 14-16. The IIF sponsored the event in cooperation with the IAIS and the African Association of Insurance Supervisory Authorities. Thirty-four insurance supervisors from eleven African countries attended the conference. FSB Executive Officer Jeff van Rooyen opened the conference by encouraging active participation by all countries in the region in the efforts to strengthen regulation of financial institutions.

The first day of the conference, chaired by the FSB's Public Relations Director R. Michaels, addressed licensing, intermediaries, and conglomerates, and reinsurance. Philip Langenhoven explained licensing requirements for domestic and foreign insurers. Franso van Zyl, Head of the FSB Legislation and Research Department, explained South Africa's new Financial Advisory and Intermediary Service Bill, which will "assist in getting rid of unscrupulous and incompetent financial service providers tainting the reputation of the industry." Willemien de Jager summarized the issues of mapping, capital adequacy and the risk management process when reviewing financial conglomerates. Collin Dutkiewicz, Marketing Actuary from RSA, explained reinsurance and the role of international reinsurers. Lourens Botha discussed financial information, quarterly returns, and on-site visits in analyzing companies. FSB members Willemien de Jager, Corne Du Plessis, Liezel van der Merve, and Suzette Vogelsang concluded the day addressing topics suggested by the seminar participants: outsourcing arrangements, diversification and quality of investment of assets, branch business, minimum capital and surplus requirements, and solvency margin determination.

IIF Consultant Gail Burns chaired the second day. Henri Scott discussed on-site Inspections, and Oppie Opperman explored problems with credit life and funeral schemes business in South Africa. A panel consisting of Oppie Opperman, Murray Le Roux, Billy Clarke, and Gail Burns addressed cross border trading/unregistered institutions, rate regulation, and medical schemes. FSB Actuary Murray Le Roux and KMPG Auditor Gerdus Dixon discussed the working relationships between regulators, actuaries, and auditors.

The FSB's J. Huma chaired the final day, which featured presentations on Consumer Protection and Market Conduct by Gail Burns, Policy Holder Protection Rules by Oppie Opperman, Ombudsman by Louis Wessels; and Corporate Governance and Management and Control by FSB Deputy Executive Officer André Swanepoel. Dube Tshidi's comprehensive presentation on pension fund supervision generated a lively question and answer

session to finish the conference, and the delegates departed looking forward to the next time.