



In the aftermath of the global financial crisis, tools for measuring capital adequacy are key elements of technical assistance to emerging markets. Argentina's Ministry of Economy has requested the

International Insurance Foundation to study its solvency monitoring system with an eye toward introducing risk-based capital requirements for insurers. The study, financed by a World Bank structural adjustment loan for capital market development, will compare Argentina's current practices to the best international practices and recommend steps to prepare Argentina for closer integration with global financial markets. The project team includes IIF Executive Director **Bob Gibbons**, Research Director **Ian Webb**, Senior Advisor **Hal Duryee**, and Georgia Southern University professor **Mike Barth**. As project leader, Ian Webb will travel to Argentina to interview insurance regulators and industry executives and to explain the NAIC risk-based capital system. The team will develop recommendations for strengthening the current system and encouraging the development of well-capitalized insurance companies in Argentina. A panel of experts will review the final report, which will then be submitted to the Argentine government.

Quarterly Report

Summer 1999

Calendar

September	12-24	FUNENSEG Seminar, <i>Princeton</i>
	27-28	Tokyo Executive Seminar on Insurance Regulation and Supervision
October	4	IIF Executive Committee, <i>Princeton</i>
	16-19	Conference on Insurance Regulation, <i>Hartford</i>
	28	IIF Education Committee/IIF Executive Committee, <i>Washington</i>
	29	Annual IIF Board Meeting, <i>Washington</i>
December	8-10	IAIS Annual Conference, <i>San Francisco</i>

Summer brought a long awaited strengthening of the IIF staff. After successfully defending his doctoral dissertation at Georgia State University, **Ian Webb** became the Research Director. Ian recently returned from a month in Peru assisting American high school students build houses for the less fortunate. Born and raised in Peru, Ian speaks Spanish fluently. He previously worked at The World Bank. Program Coordinator **Sally Steel** came on board after earning a Master's degree from the Johns Hopkins School of Advanced International Studies, specializing in international economics and European politics. She has lived for several years in Europe, and speaks both French and Italian.

The IIF website is under construction. Stay tuned for more progress at www.iifdc.org.



Brazil, the largest country in South America and the 8th largest economy in the world, is in the midst of an historic change. For 60 years reinsurance has been a national monopoly, but Brazil has made commitments to the WTO and the IMF to privatize the IRB and to establish a competitive market for reinsurance. Domestic insurers will then be able to negotiate the best terms available with global reinsurers, to the ultimate benefit of Brazilian policyholders.

Anticipating this change, the Superintendent of Private Insurance requested the International Insurance Foundation's technical assistance. [We had provided similar assistance in preparing for the extension of supervisory authority to health insuring organizations.] Through the **International Insurance Technical Assistance Partnership** with the Department of Commerce, we devised a three phase plan of technical assistance.

In February phase one brought 6 members of

the Superintendent's staff to Washington, Richmond, and New York for an investigation of reinsurance regulation in the U.S., Canada, and Mexico. In April phase two sent an IIF team led by regulatory consultant **Neil Rector** along with the RAA's **Debra Hall** and **Carolyn Cobb** [representing the ACLI] to Rio. The team spent a week critiquing the draft regulations and addressing significant considerations for regulation of reinsurance. Phase three will send another team to Rio to train the Superintendent's staff, once the final regulations are in place.

Extenuating factors have delayed the promulgation of those final regulations. The financial crisis earlier this year intensified Brazil's historic sensitivity to the impact of reinsurance on its balance of payments. The political context became more complicated, and it now appears that the IRB's privatization will be by emergency legislation rather than by administrative decree. While the process is taking longer than expected, the outlook is still very positive for the privatization, foreshadowing a more vibrant and innovative insurance market in Brazil. U.S. government officials, particularly Deputy Assistant Secretary of Commerce **Everette James**, have played an extraordinarily supportive role throughout this metamorphosis.

July's **IAIS Education Conference** in Pretoria, South Africa, completed this year's series of regional conferences. Previous conferences in Singapore [February], Buenos Aires [April], and Warsaw [May] brought together insurance supervisors from each region for deliberations on solvency monitoring and other supervisory concerns. This year's conferences included a case study of a financially troubled insurance company. At each conference the participants divided into teams to analyze the case and recommend the best way to protect policyholders's interests. We continue to work with the IAIS Education Committee to develop consistent materials and a progression of structured experiences that reinforce the IAIS supervisory standards and guidelines.

As the cost of natural disasters mounts, the contribution of risk management to economic resilience gains more recognition. The World Bank, which has dispersed 8.8 billion dollars in disaster relief loans this decade, has established a Disaster Management Facility to promote loss mitigation efforts. To show how market incentives can encourage pre-loss rather than post-loss financing, The World Bank Institute held a risk management seminar with presentations by Education Committee member **Howard Kunreuther** and Executive Director **Bob Gibbons**.

Bob Gibbons also contributed to the World Bank Insurance Practice Group Training Module in July. This two-day program helped investment officers of the International Finance Corporation analyze insurance company finances. The IFC, a World Bank subsidiary, has financed 17 demonstration insurance projects designed to build markets in developing countries.

As Poland expands its insurance and pensions market, the IIF continues to assist the State Office for Insurance Supervision in training its growing staff. In July our partner organization, the Financial Services Volunteer Corps, organized a one-week seminar on new insurance products conducted by IIF Senior Advisor **Hal Duryee** and **Cecil Nussbaum** of Scottsdale Insurance. A reinsurance seminar is planned for late September. The IIF and FSVC are also discussing possible insurance training projects in Romania.

New IIF Founding Members

Since the beginning of the year, two more organizations have added their support to our efforts to build a better global environment for insurance:

Employers Reinsurance Corporation
Reinsurance Australia