



The Insurance Supervisor

The Newsletter of the International Association of Insurance Supervisors

Third Quarter 2002

Launch!

Two new databases for IAIS members!

The Insurance Laws, Regulations, Practices and Standards Subcommittee will at last open the Insurance Laws and Reinsurers Databases to IAIS members for data input. After resolving legal and staffing problems, the Subcommittee can now proceed with

launching the database applications. The delay proved to be beneficial, giving time for several enhancements to be added to the application. It will certainly have been worth the wait!

Insurance Laws Database

The Insurance Laws Database aims to provide information on domestic and supranational laws, regulations and practices in insurance supervision. The web-based central database (<http://db.iaisweb.org>) will capture members' replies to a wide range of insurance supervisory questions, which have been divided into 20 thematic chapters. The database will help IAIS members to:

- improve their own legislation by drawing upon best practices elsewhere
- access national legislations of other jurisdictions
- improve their knowledge of other supervisory systems

Topics covered by the questionnaire and comparative reports include:

- licensing
- corporate governance
- products and tariffs
- auditor
- actuary
- shareholders and investors
- solvency / capital
- accounting
- technical provisions
- investments
- filing requirements
- control procedures and examinations
- bankruptcy and winding-up procedures
- reinsurance and intermediaries.

Reinsurers Database

The Reinsurers Database is also located at <http://db.iaisweb.org>. The goal of this database is to provide IAIS members with information about reinsurers active in their markets, in particular, their legitimacy, supervisory status, financial status, ownership, and whether they are supervised (and if so, whether there are, for example, any restrictions imposed to the reinsurers' business).

Nina Arquint



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Nina Arquint joined the IAIS at the beginning of August 2002 as the administrator for the two new databases, and is located at and sponsored by the Bundesamt für Privatversicherungen, Switzerland. She is in the final stages of her law studies and so is able to take up this part-time position without any hesitation. She finds the international composition of the IAIS very appealing and is ready for a new challenge!

Next summer Nina will graduate from the University of Bern, Switzerland, and would then like to pursue her career as a commercial lawyer.

Wimmis in Bernese Oberland, Switzerland, is Nina's home town where she grew to love nature and the mountains, riding her mountain bike, jogging, hiking, swimming and skiing. She also loves travelling and making acquaintances with those from other cultures, and enjoying their exotic food!

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Both databases will require members to be actively involved, not only inputting the information but also ensuring that it is kept current.

Mid-September, IAIS members received a package of materials from Nina Arquint instructing them on how to gain access, input data and produce reports from these two new supervisory tools.

Committee meeting news

Quarterly committee meetings, Basel, Switzerland



The IAIS held meetings on 14 June and from 17-21 June in Basel. On June 16-17 it ran concurrent seminars - one on risk management in conjunction with the FSI and another for FSAP assessors in conjunction with the IMF and World Bank.

The **Executive Committee** met to finalise arrangements for the Annual Conference and began the process for selecting a new

Secretary General. The **Budget Committee** reviewed the draft budget for 2003. The **Emerging Markets Committee** and **Education Subcommittee** discussed upcoming seminars and regional plans, as well as guidelines for the development of training tools. The **Technical Committee** reviewed the work of its working parties, approved selected papers for consultation or circulation, and received a presentation on insurance securitisation.

In addition, several IAIS working parties met, in particular:

Investments Subcommittee

This Subcommittee reviewed its draft issues paper, *Credit Risk Transfers*, but hopes to get additional input from Bermuda, South Africa, Sweden, and the US before finalising it. The Subcommittee intends to proceed with revisions to the supervisory standards, *Asset Management and Derivatives*.

This Task Force reviewed a first compilation of the revised principles and began work on refining the principles and preparing explanatory notes and criteria. This work continued at their meeting in Rome in September.

Task Force on Revisions to the Insurance Core Principles

Insurance Fraud Subcommittee

This Subcommittee set up a subgroup to review the 30 May FATF 40 recommendations consultation paper. It is awaiting input from a few key jurisdictions (expected by October) before finalising the results of the questionnaire on bankruptcies and liquidations. Initial results show that most insolvencies are not caused by fraud and may point to additional work needed by the IAIS to address the most frequent causes.

This Working Group reviewed draft guidance for supervisors on how to deal with risks to insurers posed by e-commerce.

Electronic Commerce/ Internet Working Group

This Task Force held an informational meeting in Basel and received input from non-Task Force members on the standard it is preparing on disclosure of technical performance of non-life insurers.

Task Force on Enhanced Disclosure

This Working Group received comments on the standard setting and standard implementation components of the medium term plan, as well as the proposal to revise the fee structure. The draft plan and fee proposals were finalised at a subsequent meeting in Toronto. They will be presented to the Executive Committee in Chile and, if approved, to members at the General Meeting.

Working Group on the Future and Financing Structure of the IAIS

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The Joint Forum

At its meeting in June the Joint Forum finalised two important reports.

The report *Corporate Governance and the use of the Audit and Actuarial Functions for Supervisory Purposes* has been elaborated by the Joint Forum Working Group on Corporate Governance and Transparency. While this cross-sectoral comparison deals with issues which became obvious with the recent corporate failures, it is not a reaction to them, as could be suspected. In fact, the report was drafted before they became known. The report is addressed to regulators and supervisors only; it will not be published.

The Joint Forum further dealt with the draft issues paper *Lessons from September 11*. On the basis of the comments at the June meeting the paper has been finalised and was sent to the parent organisations of the Joint Forum, the Basel Committee on Banking Supervision, the IAIS and IOSCO. The paper describes regulatory and supervisory consequences of, and lessons to be drawn from, the September 11 event. Due to the mainly regulatory aspects of the paper it will not be made public.

The Joint Forum also discussed progress made by the Working Groups on Risk Assessment and Capital and on Enhanced Disclosure. The Working Group on Risk Assessment and Capital is focusing on investigating the approaches that large institutions and conglomerates use to manage and aggregate risks across multiple

businesses and risk categories and on how supervisors are addressing the issue across the different financial sectors. It further focuses on how operational risk is addressed across the financial sectors. The working group is currently conducting a survey of selected firms using questionnaires followed by interviews. A draft report is expected for spring 2003.

The Working Group on Enhanced Disclosure is following up on the recommendations of the Multi-Disciplinary Working Group on Enhanced Disclosure (also known as the Fisher Group) for more extensive disclosure in its report of April 2001. The working group is currently surveying firms of the different sectors to determine the degree of compliance with the Fisher Group recommendations. It intends to provide a report to the Joint Forum in 2003.

Committee meeting news continued....

Asset Valuation Subgroup

This Subgroup met on 16 July in London to review the Exposure Draft of proposed amendments to *IAS 32 Financial Instruments: Disclosure and Presentation* and *IAS 39 Financial Instruments: Recognition and Measurement*. The Subgroup has drafted a letter in response to the questions posed by the IASB on these two Exposure Drafts.

This Subcommittee met on 22-23 August in Neuchâtel. Recently the Swiss authority allocated a new staff member to work on the IAIS databases, as shown on the front page, thus allowing for the launch of the insurance laws database application. The meeting was devoted to database training for members, including allocating responsibilities for chapters and discussing issues with respect to maintenance.

Insurance Laws Subcommittee

Accounting Subcommittee

The Accounting Subcommittee met in New York on 25 and 26 September 2002. The group discussed the Draft Statement of Principles of the IASB insurance project, the IAIS draft comments on IASB 32 and 39, the IAIS comments on the IASB improvements project and an analysis of comments to the IAIS technical liabilities paper in light of the IASB insurance contracts project.

This Subcommittee met on 12 September 2002 in London. The group reviewed comments received on the draft issues paper on *Credit Risk Transfer* and a draft paper on *Credit Risk Management for Insurance Supervisors*. They will meet again on 6 October 2002 in Chile to discuss and seek further comments of the *Credit Risk Transfer* paper.

Investments Subcommittee

Solvency Subcommittee

This Subcommittee met on 31 July - 2 August in Basel to review preliminary comments on three papers that are out for consultation (on liabilities, actuaries and control levels) and first drafts of the relevant revised insurance core principles and stress

testing paper. The Subcommittee discussed an outline for a paper on capital instruments. At that meeting a representative of the World Bank spoke on its work, identifying in particular cooperation opportunities.

IAIS training, summer 2002

	Where	Content	Organisers	For Who
June	Basel, Switzerland	Acquiring basic skills for the assessor in the Financial Sector Assessment Programme (FSAP)	World Bank, IMF, IAIS	Assessors of observance of the Insurance Core Principles
June	Basel, Switzerland	* Alternative Risk Transfer * Credit Risk Transfer	Financial Stability Institute, IAIS	Insurance supervisors
June	Singapore	* Discussion of the IAIS Core Principles * Case studies on on-site inspections * Lectures and peer review exercises	Monetary Authority of Singapore (MAS); sponsored by JICA and the Singaporean Ministry of Foreign Affairs	Asian Directors
June	San Pedro Sula, Honduras	* Panel discussions on: - systemic risks - consolidated supervision - issues related to brokers and agents, reinsurance, investment regulations * Full day practical training session on the Insurance Core Principles	Bank and Insurance Commission of Honduras, ASSAL, IAIS, OECD	Latin American insurance supervisors
June	Krynica Zdrój, Poland	* Internal control and outsourcing * Role of auditors and actuaries * New approaches to solvency evaluation * Case study presented by Germany	Polish Insurance and Pension Funds Supervisory Commission, IIF, IAIS	Central and Eastern European insurance supervisors
July	Almaty, Kazakhstan	* The IAIS and its activities * Insurance Core Principles and Standards * Self-assessment * Prudential issues * Methods of supervision	IAIS, National Bank of Kazakhstan	Regulators and non-regulators
July	Pretoria, South Africa	* Lectures and discussions on: - Insurance Core Principles - pensions - on-site visits - corporate governance - international accounting	Financial Services Board (FSB), South Africa	Middle management insurance supervisors of the English speaking African countries
Aug	Beatenberg, Switzerland	* Introduction to value-at-risk models * Variance/covariance mode, a value-at-risk approach * RAROC models * Swiss Re's internal framework for capital adequacy and two examples from Nat Cat	Financial Stability Institute	Insurance supervisors
Sept	Vienna, Austria	* BIS/FSI and IAIS activities * Insurance Core Principles * Organisation of a supervisory authority * Licensing, corporate governance and anti-money laundering * Prudential rules & group supervision * Recovery and winding-up	Joint Vienna Institute, FSI, IAIS	Insurance Supervisors of Central and Eastern European markets
Sept	Amman, Jordan	* Overview of the Insurance Core Principles: - methods of supervision - prudential rules - market conduct and consumer protection	Jordanian Insurance Regulatory Commission (IRC)	Middle East and North African region



Boat trips, operatic dinners, old wooden churches, beekeepers.....

The first seminar in Central Asia, and certainly not the last!

The clothing-chewing lion cubs joined us on the social event at the Lion Park!

Romantic sunset walks with torches and Glühwein.....

We enjoyed the spectacular views from the giant Ferris Wheel and the delicious pastry at the famous Café Landtmann



Gunilla Löfvendahl Briatte, mentioned in our previous newsletter, is now in full swing at the Financial Stability Institute. She will continue to work with the regional coordinators to organise training seminars. The next seminar for Asian supervisors will be held in China in November. To find out further information regarding this seminar and others, you can contact Gunilla by telephone (+41 61 280 9508) or by e-mail (Gunilla.Loefvendahl-Briatte@bis.org).

Coordination Group

The Coordination Group provides a forum for representatives from the Basel Committee, IOSCO, Joint Forum and the IAIS to discuss issues of common interest to the three financial sectors. At the meeting in Toronto on 3 September 2002, representatives exchanged views on credit risk transfer, accounting and auditing, anti-money laundering and terrorist financing - in particular, know your customer rules, operational risk, development of core principles, and reinsurance.

Reflections of a first-time program leader at the Toronto Centre

By André Swanepoel, Deputy Executive Office of the Financial Services Board, the supervisory agency for non-banking financial institutions in South Africa.

In April 2002, I was a Program Leader in the Toronto Centre's leadership program for insurance supervisors. What a great experience! The Toronto Centre has a highly dedicated team, the course is well organised, the programme is focused and the approach to leadership development is well thought-out and inspiring.

I prepared and presented a case study. At the Toronto Centre cases evolve with each presentation, in response to participants' questions and discussions. Uncertainties and regulatory difficulties faced in different regions are highlighted. I learned a lot, not only from the preparation, but also from the participants' presentations.

The Toronto Centre program teaches participants a practical approach to tackling problems. Every participant has to identify a specific problem at the outset and, using the concepts learned, present a solution and plan at the end of the week. There are plenty of opportunities to work and learn from others. Often the views of the other participants are as important and relevant as those of the programme leaders.

The next Toronto Centre programme for insurance supervisors is scheduled for 8-14 June 2003 and I urge you to attend. Information can be obtained from their website (www.torontocentre.org).

Financial Stability Forum

At the Financial Stability Forum (FSF) meeting, on 3-4 September in Toronto, regulators, central bankers and finance officials discussed potential vulnerabilities in the international financial system. The reinsurance sector was a specific item on the agenda and the FSF called for better data and reporting from insurers and reinsurers alike. The FSF noted that even though the sector had responded well to recent shocks "the opaqueness of the

reinsurance market and of public disclosures makes it difficult, if problems in the reinsurance industry were to arise to assess the potential impact on the insurance sector as a whole and on financial stability more generally". The FSF lent its support to the IAIS' work to improve industry disclosures and to develop an efficient global framework for reinsurance supervision.



Looking for the latest approved papers?

A new overview page for the *Principles and Standards* area, <http://www.iaisweb.org/1/pas.html>, containing two documents has been introduced in the public area of the website. The compiled version of all the approved IAIS principles, standards and guidance papers has been reintroduced to the website. Since this file contains eighteen separate papers, please be patient during the download. If, however, you wish to only see an overview of all the papers, a table of contents of all the approved papers has been created with hot links to the individual files of the approved papers.

Another new page, www.iaisweb.org/1/observers/0819.html, has been introduced in the observers area and contains the *Report by the Study Group on Insurance Issues & Developments*, March 2000 and *Insurance Laws, Regulations and Practices in IAIS Member Jurisdictions*, December 1999. This new page was introduced to separate internal meeting documents for observers from published reports.

www.iaisweb.org

Searching for an insurance term?

Check the IAIS glossary on the *publications* page. This glossary will be updated with the latest approved insurance terms after the Annual Conference.

IAIS World Directory Updates

Members

New members

- Bahrain:** Bahrain Monetary Agency (Dr Khalid A Ateeq, Executive Director)
- Kuwait:** Ministry of Commerce & Industry (Mr Fates al Sayegh, Insurance Department Manager)

New main representatives

- Aruba:** Mr Kenneth A H Polvliet, Executive Director, Centrale Bank van Aruba
- France:** Mr Olivier Paquier, Head of Insurance Department, Treasury, Ministère de l'Economie, des Finances et de l'Industrie
- Japan:** Mr Makoto Hosomi, Deputy Commissioner for International Affairs, Financial Services Agency
- Nepal:** Mr Narayan Prasad Silwal, Chairman, Beema Samiti (Insurance Board)
- Peru:** Mr Juan Jose Marthans, Superintendent of Banking and Insurance, Superintendencia de Banca y Seguros del Peru (SBS)

International Institutions

New main representative

- Asian Development Bank:**
Mr Asavin
Chintakananda, Senior
Director

Observers

New observers

- Japan:** Meiji Life Insurance Company (Hirohisa Tanaka, Deputy Manager)
- Brazil:** Federação Nacional das Empresas de Seguros Privados e de Capitalização - FENASEG (Mr João Elisio Ferraz de Campos, President)

New main representatives

- Japan:** Mr Katsuo Matsushita, General Manager, International Department (The Marine & Fire Insurance Association of Japan, Inc)
- World Bank:** Mr Craig Thorburn, Senior Financial Sector Specialist

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