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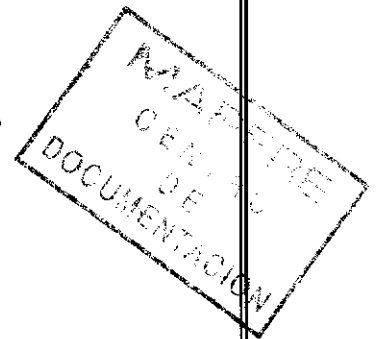
**Developing the Role of Insurance at the Institutional Level.  
The case of the International Chamber of Commerce**

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*and*

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All over the world, governments are rolling back the frontiers of state intervention in the economy. Privatisation and de-regulation are the order of the day. After decades of heavy government controls, it looks as if a new business-government relationship is being redefined.

As the world business organisation, the International Chamber of Commerce (ICC), which celebrated its 75th anniversary in 1994, has the task of speaking for business in its dealings with governments, both nationally and internationally. The ICC believes in open trade and the free flow of investment as beneficial to business and to human progress and, therefore, it has a key role in that process of redefinition.

The ICC has member companies and professional associations in more than 130 countries, and represents every business sector including insurance and related activities. The ICC is constantly engaged in dialogue with governments at international and national levels on

all manner of issues, ranging from the environment to deregulation of services, from taxation to development of insurance markets. The ICC has Category One consultative status with the United Nations and close working relations with the WTO, the World Bank, IMF, etc. Each year, on the eve of the summit of the Group of Seven leading industrial countries, an ICC delegation calls on the host government leader to present proposals on behalf of international business, for consideration at the summit. Furthermore, the ICC is heavily involved in the mechanics of international trade, by drafting the rules which are voluntarily adopted by business world-wide to help international transactions to go through smoothly and without misunderstanding.

The ICC's role in putting across the business views to governments is not confined to the great international economic issues of the day. At the very heart of the ICC is the work of its commissions, one of whose tasks it is to track legislative and regulatory proposals, both national and international, to make suggestions for modifications or improvements, and to make sure that governments appreciate the business point of view on a host of specialized issues.

As Chairman of the ICC Commission on Insurance, a position which has been previously held by Mr. Ruy de Carvalho from the Portuguese Insurance Association and Mr. Guy F. Jonckheer from ING, I would like to give you my assessment of the ICC today and the priorities for its immediate agenda in the insurance field.

The Commission on Insurance aims at fostering the deregulation of the world-wide insurance market, thereby allowing Insurers and Reinsurers to conduct their activities in foreign countries on an equal footing with local competitors. The Commission examines practical problems relating to the pricing of insurance coverage, regulatory measures (i.e. taxes, environment funds) and tariffs. The Commission also promotes the development of insurance in the emerging markets, most notably in Central Europe and the Commonwealth of Independent States or CIS (formerly the Soviet Union), and Latin America.

The strength of the Commission on Insurance is based on its diverse membership which includes insurance and reinsurance companies, brokers, users, risk managers, service firms (law firms, consultants) and other non-governmental organizations. The Commission tries to reach understanding and consensus between providers of insurance and users of insurance (between the insurance market and the industry) and presents such views to the international government and business communities.

As to its activities, the Commission has traditionally dealt with three important business advocacy issues: Environment, Conditional Guarantees and Product Liability, with excellent results. Furthermore, as the development of emerging insurance markets attracts utmost attention from members, the Commission recently became active in the development of Insurance in Central Europe and the CIS and Latin America. Finally, there is probably no organisation better qualified to work out how the present paper-based trading system can be adapted to the needs of electronic trading. Therefore, the Commission has joined forces with other five ICC commissions to carry out this ambitious task as part of a project known as E-100 which tries to discuss, develop and promote an electronic alternative or alternatives to paper-based methods of transactions.

Examples are always more convincing than rhetoric. For that, I will outline some of the recent Commission initiatives. I have singled them out because they broke new ground in what would have been unfamiliar territory a short time ago:

**(a) Central Europe and CIS:**

1. Following a letter to President Yeltsin, in which the Commission on Insurance supported a proposed amendment to the Russian tax legislation to make insurance premiums tax deductible for all production and service industries,

the Commission was pleased to learn that a decree was issued on 1 July 1995, making insurance premiums deductible for tax purposes, a measure which should ease local costs for foreign companies. Unfortunately, a recent decree has suspended the deductibility of insurance premiums until 1st January 1997.

2. In a letter to the Kazakhstan Prime Minister, the ICC argued that a proposed insurance legislation, if enacted, would create a monopoly situation with a state insurer "Kazakhinstrakh" for all insurance transactions with an international component, and a single foreign insurance broking company with the exclusive right to transact business on behalf of Kazakhstan in international markets. The Kazakhstani government replied to the ICC, stating that the government "partially agreed with the assessment of the insurance situation in Kazakhstan". Thereafter, corrective actions were taken to address the issues discussed in the ICC letter.
  
3. In order to meet growing demands from economic agents wishing to invest in or establish commercial links in the region, the Comité Européen des Assurances (CEA) and the ICC, together with the Bureau International des Producteurs d'Assurances et de Réassurances (BIPAR) decided to publish a list of Western insurance companies and intermediaries present in those countries, containing practical information so that the best use can be made of it by these risk-takers. The publication, available free of charge, became an immediate best-seller among corporate risk managers and has been reprinted many times (the 1996 version will be available in these weeks).

**(b) Superfund:**

On October 1995, the ICC issued a Position Paper warning US legislators that the Superfund environmental law as it now stands could discourage foreign direct investment in The United States and inhibit provision of insurance to cover environmental liability. This Position Paper was the outcome of almost two years of intense work by the Joint Working Party on Insurance and Environment Issues. The paper has been widely distributed among US Congress members, as well as other high-ranking administration officials, some of whom have responded favourably to the ICC proposals. The issue is currently under debate and the ICC is very active through its US affiliate on this business advocacy effort.

**(c) Contract Bonds:**

After years of work from the Commission on Insurance, the ICC adopted the Uniform Rules for Contract Bonds which enter into force on 1 January 1994. The Contract Bonds are designed to secure uniform practice in the operation and enforcement of bonds where the liability of the Guarantor of the Beneficiary is expressly stated to be accessory to the liability of the Principal to the Beneficiary and arises upon contractual default.

The Rules have been widely welcomed and, for example, the Government of Japan recently adopted a comprehensive system requiring the provision of Contract Bonds in connection with state and municipal contracts and for this purpose it adopted a code based substantially upon the ICC Rules. Furthermore, the Commission has attended several meeting with representatives of the World Bank and the European Commission. Both organizations are interested in adopting and recommending the use of the ICC Uniform Rules for Contract Bonds.

**(d) Product Liability in the USA:**

This year, the ICC sent a letter to President Clinton recommending the signing of HR-956 into law. Unfortunately, President Clinton vetoed this proposal -probably under the influence of Lawyers and Consumers Associations- and the bill was returned to Congress where it failed to get the endorsement of the qualified majority required to overrule the President's veto. Although the effort has failed, it was important for the ICC to voice the opinion of the international business community -and risk managers, in particular- on this matter.

I would like to end this presentation by mentioning some of the future activities of the Commission:

- (a)** Following-up to the implementation of the Uruguay Round and surveying how the new World Trade Organization (WTO) will act in this field. The Commission wants to ensure that governments carry out their commitments set by the Round in the time agreed. We are also keen for the so-called "unfinished business" of the Uruguay Round to be completed as soon as possible, particularly in the field of services.
- (b)** Conducting a world-wide survey of national tax legislations providing for a deduction of insurance premiums. The survey concentrates on non-life insurance and the 120 responses received to date will serve as the basis for a position paper.
- (c)** Specific action in Asia as called by the new Secretary General will be strongly attended. In particular, key areas of interest will be identified in the insurance sector by National Committees in the emerging countries to prepare concrete programmes.

- (d) The Working Parties on Environment and Insurance, Insurance in Central Europe and the CIS and on Freedom of Insurance and Reinsurance in Latinamerica, are going to be very active. The first has prepared, for instance, a new statement or position paper on Environment in Eastern Europe; the second will have a meeting here in Barcelona this week; the third, finally, will be present in Guatemala this month invited to the Board meeting of FIDES to start the preparation of a Position Paper ICC-FIDES on insurance deregulation in Latinamerica.

In this era of boundless opportunities for business enterprise as governments retreat from regulation and control, the ICC Commission on Insurance provides a special forum for business to influence governments. It is up to insurance companies and risk managers in every part of the world to use this situation and to participate in the business advocacy projects mentioned above.

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