



The Insurance Supervisor

Beijing announces topics for the 13th IAIS Annual Conference 18-21 October 2006

The 13th IAIS Annual Conference will be hosted by the China Insurance Regulatory Commission (CIRC) in Beijing on 18-21 October 2006. This event will be held back to back with the IAIS Triannual Meetings for Members and Observers on 16-18 October.

Under the general theme: "Fostering Development and Managing Risk – Challenges for Insurance Supervision", insurance supervisors, industry representatives, members of international institutions, insurance professionals and academics, will discuss the following broad topics in panel sessions:

- o Solvency
- o Cross-border supervision, global regulatory framework and industry practices
- o Cross sector supervision and financial conglomerates
- o Disclosure
- o Corporate governance
- o International Accounting Standards for insurers: a paradigm shift underway
- o Insurance solutions and insurers in national pensions systems
- o Reinsurance
- o Natural and man-made catastrophes
- o Training and implementation of IAIS Insurance Core Principles and standards
- o Avian flu – what are the new threats to insurance?
- o Microinsurance and agriculture insurance

The Conference programme will also include social events to give participants the opportunity to network in a relaxed environment.

The venue for the conference will be the Beijing Hotel (www.chinabeijinghotel.com.cn/en/main.asp). This hotel is within walking distance of the Forbidden City, Tiananmen Square and other major sights.

The CIRC has launched a website for the Annual Conference (www.iais2006.com). Registration details will be available soon, as well as the draft programme with more precise definitions of the above mentioned topics and names of panel chairs. We will inform all Members and Observers' main representatives as soon as registration is open.

Should you have any questions, please do not hesitate to contact the 13th IAIS Annual Conference Secretariat at the following coordinates:

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The Forbidden City, Beijing

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Accounting Subcommittee

The Accounting Subcommittee met in Basel on 15 February 2006. The main purpose of the meeting was to discuss a draft report on the impact upon supervisors of the implementation by insurers of IFRS, in particular IFRS 4, following a survey which the subcommittee had conducted upon IAIS members. The report is expected to be issued early in the second quarter of 2006. The subcommittee also discussed potential comments to the International Actuarial Association on its third set of Preliminary Exposure Drafts for Practice Guidance in respect of IFRS.

Budget Committee

The Budget Committee met on 17 February in Basel to approve the 2007 draft budget and fees, adopt revised policies on secondments and on the reserve, approve support for administration of the Core Curriculum project, and make a decision on investments. It also heard reports on 2005 financials, on the 2005 Annual Conference financials, on preparation for the 2006 Annual Conference, and on the work of the Financial Outlook Task Force.

Enhanced Disclosure Subcommittee

The Subcommittee meeting was held on 15 February 2006 in Basel. The Chair made a presentation on the outline of the Standard on disclosures concerning technical performance and risks for life insurers. The purpose of the presentation was to give the Subcommittee's initial thoughts on the disclosure requirements, and to get ideas from the audience. An initial draft for the new Standard will be prepared by the end of March, for discussion at the next meeting in April in Guernsey.

Executive Committee

The Executive Committee met on 17 February in Basel to hear and discuss reports from the Budget, Technical and Implementation Committees, a review of the 2005 Annual Conference, a report on the preparation of the 2006 Annual Conference, an update from the Pension Coordination Group, an update from the Selection Subgroup on premises for 2008 and 2009 triannual meetings and 2010 Annual Conference. It approved the draft 2007 budget, procedures on minutes, amendments to glossary, and the process for performance reviews of the Secretary General and Deputy Secretary General.

Financial Conglomerates Subcommittee

The Financial Conglomerates Subcommittee met in Basel on 13-14 February, 2006. The working group on multilateral Memorandum of Understanding (MMoU) presented its progress report. A separate group which is examining the non MMoU issues to promote cooperation and information exchange also briefed the members about the progress made. The subcommittee also discussed development of principles and standards on group supervision.

Financial Outlook Task Force

The Financial Outlook Task Force met on 17 October and discussed initial work plans prepared in view of elaboration of the 2008-2012 financial outlook: draft work plan for standard setting, issues paper on IAIS training, responsibilities of the Secretariat and cooperation with other organisations.

Implementation Committee

The Implementation Committee (formerly the Emerging Markets Committee) met on 15 February in Basel. The discussion was focused on the overall training strategy. Also reported on were the Core Curriculum Project, regional coordination, insurance law databases, and various technical assistance activities by external organisations.

Insurance Contracts Subcommittee

The Insurance Contracts Subcommittee met in Basel on 13-14 February, and in Paris on 15-17 March. The main purpose of both meetings was to discuss the second IAIS comment paper to the IASB on accounting for insurance liabilities, as input into its Phase II project. The main areas discussed related to Risk Margins and to Life Insurance Accounting issues. The Basel meeting also included a presentation on Issues on Discretionary Participation Features by the Life Insurance Association of Japan, and there was further discussion on this subject in Paris. It is expected that the second 'Liabilities Paper' will be presented to the Technical Committee for approval at its meeting in Ottawa at the end of May.

Insurance Fraud Subcommittee

The Insurance Fraud Subcommittee met in Basel on 14 February. It reviewed its work plans, its progress on the drafting of the *Guidance paper on fraud on insurers* and updated members on relations with other international organisations. The drafting group will meet in Guernsey from 28 February to 1 March, in early June and concurrently with the IAIFA Annual Conference in Amman from 19-20 June. The draft guidance paper should be sent for consultation at the end of March.

Insurance Laws Subcommittee

The Insurance Laws Subcommittee met on 14 February 2006 in Basel. The Subcommittee made a presentation on the insurance laws and reinsurers databases to the participating Members and Observers. Q&A on the usage, discussion on the database enhancement and introduction to the application for the passwords to access the databases followed the presentation.

Pension Coordination Group

The Pension Coordination Group met on 15 February and revised the draft working arrangement with IOPS provided by the latter, noted the high interest shown by the feedback from the first survey organised amongst IAIS members, discussed a second draft survey, and decided to organise presentations by Group members on the links between insurance and pension supervision in their jurisdictions in a case study approach.

Regional Coordination Subcommittee

The Regional Coordination Subcommittee met on 15 February in Basel. The agenda included the roles and selection of Regional Coordinators, educational initiatives, and a status report on the budget requests for seminars in 2006. The revised survey of training needs was received. Importantly, the revised Guidelines for the Organisation of IAIS Regional Seminars and Proposal Form were adopted.

Reinsurance and Other Forms of Risk Transfer Subcommittee

The Reinsurance and Other Forms of Risk Transfer Subcommittee and Reinsurance Mutual Recognition Subgroup had subsequent meetings on 15 February. The subcommittee and the subgroup discussed their work plans and re-launched projects that had been put aside last year – survey on mutual recognition, revision of the Guidance paper on finite risk reinsurance (life section), analysis of the results of the survey on the supervision of reinsurance, and the revision of the two issues papers on securitisation and the standard on the evaluation of the reinsurance cover.

Reinsurance Transparency Group

The group met in Basel on 15 February 2006. The main purpose of the meeting was to plan its work on the 2006 edition of its annual *Global Reinsurance Market Report*. The group also discussed a report, *Reinsurance and International Financial Markets*, which had recently been published by the Group of Thirty.

Solvency and Actuarial Issues Subcommittee

The Solvency and Actuarial Issues Subcommittee met in Basel on 20-22 February 2006. The main items discussed were: i) a revised draft *Supervisory Standard on Asset Liability Management (ALM)* and an issues paper designed to provide educational background on ALM; and ii) a first working draft on *The Common Structure for the Assessment of insurer Solvency*. An update was provided by the Chair of the Insurance Contracts Subcommittee and there was discussion on the risk margins paper currently under development in that subcommittee.

Task Force on Assessment & Implementation of Insurance Core Principles

The Task Force on Assessment & implementation of Insurance Core Principles (ICPs) met in Basel on 15 February 2006. The final report of the ICP self assessment exercise 2004 was presented. Having fulfilled its mandate the members agreed to disband the Task Force.

Task Force on Core Curriculum Project

The Insurance Core Curriculum Task Force met on 15 February in Basel. The progress report on the Core Curriculum Project was provided; a total of 35 papers have been prepared so far, and the Task Force plans to be disbanded after the next two meetings, at the end of its three year project term. The agenda also included the nomination and approval of authors and reviewers, the performance audit for DGF, and discussions on the overall training strategy.

Technical Committee

The Technical Committee met on 16 February to approve the Roadmap for a common structure and common standards for the assessment of insurer solvency, and discuss the following: comments received on the Roadmap that are of wider relevance than solvency, cooperation with Implementation Committee, contribution to the Financial Outlook Task Force, draft issues paper on captives, update on Takaful paper and follow-up, results from the key risks and trends survey, working party reports, and international organisations' updates.

JointForum

The Joint Forum met on 20-21 February in Hong Kong SAR. The papers on *Regulatory and market differences* and the *Range of practice in the management of funding liquidity* were approved with minor changes. It is intended to publish these papers by the end of May 2006 once it receives the endorsement from parent organisations. A practice paper on the management of liquidity was also approved with minor changes.

Risk in Financial Groups

A draft mandate for a review of the management of risk concentrations including stress testing and intragroup transaction issues in relation to risk concentrations was approved with minor changes. The paper will focus on reviewing current industry practice and future trends. The mandate has been sent to parent organisations for approval.

Financial Stability Forum

The Financial Stability Forum met on 16-17 March in Sydney to discuss the risks and vulnerabilities in the international financial system and review ongoing work to strengthen resilience. This discussion followed a meeting on the previous day with financial authorities from the Asia-Pacific region.

Forum members noted that market and macroeconomic conditions remain benign and that financial systems have weathered a variety of shocks. It welcomed the second report of the IAIS on the global reinsurance market. Members encouraged the IAIS to continue its effort to further enhance the transparency of the reinsurance sector.

Upcoming Seminars

Ho Chi Min City, Vietnam

(organised by the AITRI)

The AITRI will organise the **AITRI Regional Forum on Consumer Protection & Education for ASEAN Insurance Supervisors**, 19-21 April, 2006, in Ho Chi Min City, Vietnam. The topics of the seminar will be following: Consumer Protection, Public disclosure by insurers, Supervision of insurance activities on the internet, Country's presentation on consumer protection, Legislation & Supervision, Redress Mechanism, Education & Awareness, and Case study on consumer protection.

Hergiswil, Switzerland

(organised by the FSI)

The FSI is organising a **Seminar on Advanced Risk Management Practices in the Insurance Industry**, which will take place on 24-28 April in Hergiswil, Switzerland. It will focus on practical exercises and will cover Value-at-Risk and Insurance Risk Integration methodologies, modelling of insurance and market risk, and aggregation of risks with copulas. It will furthermore look into credit and operational risk management, as well supervisory frameworks for risk assessment and risk-based solvency.

Lisbon, Portugal

(co-organised with the ASSAL)

The ASSAL will co-organise the **IAIS-ASSAL Training Seminar & VII Conference on Insurance Regulation and Supervision in Latin America** with the IAIS and OECD on 24-28 April 2006 in Lisbon, Portugal. The topics covered in the seminar will be Financial Education, Finite Reinsurance, Catastrophic Risk and Insurance, The effects of Aging on Insurance, Liabilities, Technical Reserves, Sufficiency Analysis and Security Margins, Agricultural Insurance, Implementation of Insurance Core Principles and FSAP Evaluations, and Case study which covers change in control.

St. Lucia, St. Lucia

(co-organised with St Lucia Ministry of Finance & OGIS)

The International Financial Services Department of the St. Lucia Ministry of Finance, the OGIS and the IAIS will organise the **OGIS Insurance Regulators Training Seminar**, 3-5 May 2006 in St. Lucia. The target audience will be middle level supervisors. The programme will cover the following topics: supervisory issues relating to protected cell companies, supervisory system, group-wide supervision, risk-based supervision, capital adequacy, international cooperation, corrective measures, enforcement, sanctions and winding-up including a case study on a troubled insurer. Fraud, AML and CFT will also be covered using case studies.

Basel, Switzerland

(organised by the FSI)

The FSI is organising a Senior Round Table on **Risk-based Solvency Regimes as Applied to Internationally Active Insurance Groups**. It will take place on 18-19 May in Basel, Switzerland and will look at how the solvency of insurance groups can be assessed and measured. Participants from the industry and the regulatory/supervisory community will be able to study the impact of different models and discuss related issues such as the possibility of including diversification benefits and capital mobility into such a methodology. Participation will be on invitation only.

Joint IAIS - OSFI Training Seminar 31 May - 2 June 2006

(co-organised with OSFI)

In conjunction with the IAIS Triannual Meetings to be held on 29 May - 1 June 2006 in Ottawa, Canada, the IAIS and OSFI's International Advisory Group (IAG) cordially invite IAIS Members to attend a joint training programme.

The technical programme will be held from May 31 - June 2 2006 (starting in the afternoon of 31 May after the Technical Committee meeting) and is offered at no charge to IAIS Members.

Proposed topics include: OSFI's approach to risk based/consolidated supervision, licensing, corporate governance, dealing with problem companies and other IAIS issues which may be of interest to, or suggested by participants. The forum will be a relaxed one where participants will be encouraged to be interactive and participative.

Should you have any questions or comments, please do not hesitate to contact Mr Kim Norris, Managing Director, IAG at knorris@osfi-bsif.gc.ca.

For more information and registration forms, visit the Training section in the Members & Observers area of the IAIS website. As space is limited, please register early, but no later than **28 April 2006**.

Recent Seminars

Manama, Bahrain

(co-organised with the FSI)

The FSI has together with the IAIS organised a **Regional Seminar on Reporting, Review and Redress for Supervisors in the Middle East and North Africa**. It was hosted by the Bahrain Monetary Agency and took place in Manama, Bahrain on 26-30 March. There were 30 participants attending from 11 different countries. The theme of the seminar covered reporting to supervisors, off-site monitoring, on-site supervision, and interventions, sanctions and winding-up. Emphasis was put on risk-based supervision and practical exercises were also included.



Cooperation with CGAP on future microinsurance regulation

Regulation and supervision of microinsurance is a key factor for the further development of the insurance market by making insurance affordable and accessible. The growth and success of microinsurance activities in a framework consistent with insurance core principles and standards also enables designing appropriate products for the low-income segment of the population besides ensuring the long-term stability of microinsurance providers.

However, regulation of microinsurance is a challenge for most supervisory authorities. Data on the functioning of microinsurance is scarce and a microinsurer's business process differs from established insurance operations. Many of the microinsurance providers do not have experience with the technical and legal aspects of insurance. Thus, they need comprehensive guidance and support in implementing legal and prudential requirements. The risk parameters used by the regulators are designed for the high-premium and high-volume business of typical commercial insurers. Microinsurers, however, handle small policies and premiums and often work with fragmented underwriting and claiming processes.

In recognition of this background, the Regulation, Supervision and Policy (RSP) Subgroup of the Consultative Group to Assist the Poor (CGAP) Working Group on Microinsurance have agreed to cooperate with IAIS in the area of regulation and supervision of microinsurance. Representatives from IAIS and CGAP members met on 18 February 2006 in Basel, Switzerland. They discussed the current state of microinsurance regulation and options to create more conducive regulatory frameworks for the development of microinsurance.

IAIS and the RSP Subgroup of CGAP have formed a Joint Working Group (JWG) and have agreed to prepare an Issues Paper on Microinsurance Regulation and Supervision by October 2006. The objective of the paper is to describe current practices and challenges in regulation and supervision of microinsurance and to point to important considerations for the design of legal frameworks for microinsurance operations.

The next meeting of the JWG is scheduled for 30 May in Ottawa.

Arup Chatterjee
IAIS Secretariat

Cross-border cooperation and information exchange: recent IAIS initiatives

The IAIS has always recognised that promotion of cooperation and information exchange among insurance supervisors is not only material in cross-border crisis situations, but is also a critical component for improved supervision of the insurance industry on a domestic as well as an international level. There are several IAIS principles and standards that promote this concept in the context of insurance supervision.

The IAIS remains committed to enhance cooperation and information exchange and a Working Group is presently examining the options available for developing the framework for a Multilateral Memorandum of Understanding (MMoU). This includes resolving the practical difficulties faced by supervisors. The aim of such a MMoU is to facilitate cooperation between insurance supervisors carrying out their normal functions by defining a set of principles and procedures for sharing information, views and assessments, and by providing the formal basis to make such sharing possible.

The Working Group recently conducted a *Survey on MMoU Issues of IAIS members* in January 2006 seeking their views on their readiness to become signatories to a MMoU. The responses to the survey provide a very strong basis for carrying the work forward. Any formulation will have to take into account the specifics of the insurance supervisory sector. In terms of scope, the coverage of insurance undertakings, reinsurance undertakings and insurance groups seems appropriate. There still exists some ambiguity regarding the exchange of information on intermediaries. Partly this lies in the differences of competences of supervisory authorities in several member countries. A pragmatic solution needs to be found.

The adoption of a MMoU within the IAIS community would be a strong political message not only to the supervised community but in particular to supervisors from other financial services sectors such as IOSCO¹ and Basel Committee on Banking Supervision (BCBS) and other international institutions like the IMF, World Bank and the Financial Stability Forum.

It may be recalled that the establishment of a Memorandum of Understanding (MoU) as a tool to facilitate cooperation and information exchange among supervisors was originally envisaged by the IAIS in September 1997, when it adopted a model MoU as a template for supervisors to use in negotiating bilateral MoUs.

Arup Chatterjee
IAIS Secretariat

¹ In 2002 IOSCO concluded a multilateral MoU concerning consultation and cooperation and the exchange of information.

IAIS Insurance Laws and Reinsurers Databases

Since January 2006, the databases have been made available to IAIS Members, Observers, non-member supervisors who contribute data and information, and, on a case by case basis, to academic or non-profit institutions who request access to the IAIS in accordance with the Principles and Terms of Use (ToU) of Databases for non-contributors.

Currently, all the Members are given passwords to input and view information on their admissions into the Association. However, non-member supervisors, Observers and other third-parties are required to apply for permission by submitting the application form and signing the ToU. The database access application form and other useful information are available at www.iaisweb.org/135_ENU_HTML.asp.

Using the Insurance Laws Database, the Insurance Laws Subcommittee will continue to analyse the status and development of insurance legislations and practices as well as supervisory systems in IAIS Member jurisdictions, in order to provide a useful information source particularly for the emerging markets. The *Report on insurance laws, regulations and practices in Member jurisdictions (2005)* is now open to the general public at www.iaisweb.org/135_ENU_HTML.asp.

In 2006, the focus of the Subcommittee's activities is on the extension of database contents in line with current trends and the priorities of IAIS activities. The Subcommittee is reviewing the existing questionnaire in light of its experience from recent years. The Subcommittee also plans to extend the content to areas which are not adequately covered at present.

IS Seong
IAIS Secretariat

Self-assessment report

The Task Force on Assessment and Implementation of Insurance Core Principles (ICPs) submitted its *Report on ICP self-assessment exercise 2004/2005* in February 2006. There were 59 respondents from 58 countries to the self assessment questionnaire - Asia (9); Central and Eastern Europe (9); Latin America (5); Middle East and North Africa (4); North America (3); Offshore (10); Sub Sahara (3); and Western Europe (15). Although a representative sample, this cannot be construed as a statistically valid sample.

Key Observations

While 8 respondents have "observed" or "largely observed" all 28 ICPs, 31 respondents have "observed" or "largely observed" 25 out of 28 ICPs. The ICPs which were found "most observed" are: Principle 14: Preventive and corrective measures; Principle 16: Winding up and exit from the market, and; Principle 2: Supervisory Objectives. The ICPs that are "least observed" are: Principle 22: Derivatives and similar commitments; Principle 18: Risk assessment and management; Principle 17: Group wide supervision, and; Principle 27: Fraud. Other ICPs where low level of observance is found are: Principle 9: Corporate governance and Principle 25: Consumer protection.

Along expected lines, the report points out that ethical standards for different professions seem to be missing in many jurisdictions. Certain criteria have been reported as "observed" by respondents merely because of the fact that it is provided in their laws, although it may not be a general practice. The report has specified that some criteria are not considered as applicable in relation to the "captives" and there may be a need to have a review.

The analysis of responses also reveal lack of proper standards in the area of corporate governance, internal controls and market conduct remains a key area of concern. At the same time, in developed markets, market discipline and consumer awareness have been found effective complements to supervision as insurers are encouraged to adopt robust corporate governance and professional conduct practices.

Benefits and shortcomings

Amongst the benefits of the self-assessment exercise, respondents have suggested that it provides an opportunity to gain better understanding of the ICPs besides helping in the identification of regulatory gaps. This in turn also provides rational reasons for developing strategies for carrying out changes to strengthen the system.

Amongst the shortcomings it has been noted that a number of principles assume the existence of a well developed market. Principles with a large number of criteria (e.g. ICP 3) pose a significant challenge to the respondents and some of them need reviewing in order to break them down. Similarly, the interpretations of precise intent of some ICPs need to be spelt out in clearer terms.

Many respondents have not provided supporting qualitative or written comments on the reasons underlying the self-assessments, nor any reasons for non compliance or details of any plan to improve upon the existing level of compliance.

Technical assistance requests

Technical assistance requests have been received in the following areas – Corporate governance, Risk assessment and management, Capital adequacy and solvency, Liability, Market analysis, On-site inspection, Derivatives and similar commitments, and Anti money-laundering and fraud.

Conclusion

On the steps to be taken it has been suggested that the requests for technical assistance and training be examined and a *follow up on the "action plans" submitted by some respondents to ascertain the progress* to be considered in future. The report also suggests a review of ICPs whenever they are reopened for introducing revisions in future.

Arup Chatterjee
IAIS Secretariat

Need more information or want to join the IAIS? (see the IAIS website, "How to join")

The main goals of the IAIS are to cooperate to ensure improved supervision of the insurance industry, develop practical standards and principles for insurance supervision, assist in the implementation of these standards through training seminars, and encourage and reinforce communication in different jurisdictions around the world.

If you are interested in the work of the IAIS, please join as either a member or an observer. Our Members are insurance supervisors from over 180 jurisdictions and our Observers come from 100 insurance related organisations. You can obtain an application form either from our website or by contacting the Secretariat.

New definitions were proposed by the Reinsurance and Other Forms of Risk Transfer Subcommittee on the *Guidance Paper on Risk Transfer, Disclosure and Analysis of Finite Reinsurance and the Insurance Fraud Subcommittee* as a result of its work on the *Guidance paper on combating the misuse of insurers for illicit purposes* and the *Supervisory standard on fit and proper requirements and assessment for insurers* that were endorsed at the General Meeting in Vienna in October 2005. The term "concentration risk", used in the *Guidance Paper on anti-money laundering and the combating of financing of terrorism* of October 2004, was also redefined.

Arm's length - business relationships and transactions undertaken between two related or affiliated parties that are conducted on normal market terms and conditions, so that there is no question of an unfair advantage being gained by one party at the expense of the other. [Other related definitions: control, related party(ies)].

Board of directors (or management board in a two-tier board system of corporate governance) - persons elected by the shareholders of an insurer, or policyholders in the case of a mutual, to manage and set policies. The board is responsible to shareholders or policyholders, appoints the officers of the insurer and sets key policy. [Other related definitions: management board, supervisory board, two-tier board system of corporate governance, unitary board system of corporate governance].

Concentration risk - the exposure to losses due to concentration either at company, group and/or conglomerate level. Risk concentrations can arise in assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service i.e. insured coverage), and other commitments and transactions. Risk concentrations can take various forms, such as but not limited to exposures to:

- (a) individual counterparties
- (b) groups of individual counterparties or related entities
- (c) counterparties in specific:
 - geographical locations
 - industry sectors
- (e) specific products
- (f) service providers (e.g. back office services)
- (g) *natural disasters or catastrophes.*

[Related definitions: conglomerate risk, contagion, risk concentration].

Control - the term "control" over an insurer is defined in legislation and it addresses:

- holding of a defined number or percentage of issued shares or specified financial instruments (such as compulsory convertible debentures) above a designated threshold in an insurer or its intermediate or ultimate beneficial owner
- voting rights attached to the aforementioned shares or financial instruments

- power to appoint or remove directors to the board and other executive committees

[Other related definitions: at arms' length, related party(ies)].

Financial intelligence unit - centre for the receiving, analysis and dissemination of suspicious transaction reports and other information regarding potential money laundering or terrorist financing. [Related definition: law enforcement agency].

Finite reinsurance (also known in some jurisdictions as financial reinsurance, structured reinsurance, non-traditional reinsurance, loss mitigation reinsurance) - a generic term that, for purposes of this paper, will be used to describe an entire spectrum of reinsurance arrangements that share limited risk for a limited amount of premium. There are a number of other definitions of finite or financial reinsurance. In some jurisdictions there is a distinction between finite reinsurance and financial reinsurance. In some jurisdictions financial reinsurance is a specialised form of limited liability reinsurance whereby the financial and strategic motivations of the reinsured to effect the transaction take precedence over the risk transfer motivation. Although there is no accepted global definition of "finite reinsurance," a typical transaction may include, but not be limited to provisions for aggregating risk, for aggregating limits of liability, for aligning the interests of the insurer and reinsurer, and for explicitly recognising the time value of money. A detailed review of the entire contract and any side agreements is necessary to determine if contracts containing such clauses do transfer risk and are in fact reinsurance contracts when considered in their totality. Usually, one (or a number) of the following characteristics will be present within finite reinsurance contracts although some of them may be present in traditional reinsurance as well:

- risk transfer and risk financing are combined and the time horizon of money is emphasised in the contract
- assumption of limited risk by the reinsurer (aggregate limit of liability, blended cover)
- transfer of volatility (e.g., multiple lines of business, multiple years of account and multiple year contract terms)
- inclusion of future investment income in price of contract (recognition of time value of money with funds withheld)
- potential profit sharing between parties
- pricing determined by ceding entities' results and not reinsurance pricing cycle
- terms and pricing are typically determined in advance
- bulk reinsurance (i.e. administration of reinsurance is done on a bulk basis rather than on a traditional seriatim policy-by-policy basis, for a block of in-force business).

Fitness and propriety (fit and proper) - necessary qualities that must be exhibited by a person performing the duties and carrying out the responsibilities of his/her position with an insurer. Depending on his or her position or legal form these qualities could relate to a proper degree of integrity in attitude, personal behaviour and business conduct, soundness of judgement, degree of

knowledge, experience and professional qualifications and financial soundness.

Four eyes principle - the principle describing the involvement of more than one person in decision-making or other material activities for reasons of e.g. validation, proper governance, transparency and control.

Funds Withheld - Assets that would normally be paid over to a reinsurer but are withheld by the cedant to permit regulatory credit for non-admitted reinsurance, to reduce a potential credit risk, to retain control over investments or to assist in realising the time value of money in jurisdictions that do not allow discounting or equalisation reserves.

Key functionary (ies) - individuals defined by legislation, such as board members, directors and senior management of an insurer, who must meet fit and proper requirements. The key functionaries identified may differ depending on the legal form and governance structure of the insurer.

Law enforcement agency - public authority charged with the investigation and/or prosecution of criminal conduct. [Other related definition: financial intelligence unit].

Management board - the board of directors in a two-tier board system of corporate governance [Other related definitions: board of directors, supervisory board, supervisory body, two-tier board system of corporate governance, unitary board system of corporate governance].

Reinsurer - A reinsurer is an insurer that offers protection through the sale of a reinsurance contract to a risk-transferring policyholder who is an insurer. If the risk-transferring policyholder is a (re)insurer itself, the risk-assuming insurer is called the reinsurer, and the risk transfer is known as (retro)cession.

Related party(ies) - parties are considered to be related if one party has (e.g. on the basis of a joint venture) the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. It also includes corporations that are members of the same group and are controlled by a holding company. [Other related definitions: at arm's length, control].

Side Agreements - Formal or informal agreements (oral or written) that are not part of the reinsurance contract that essentially modify a reinsurance arrangement or alter the risk transfer inherent in the contract.

Straw men - people used as a front to hide the identity of their principal on whose instructions they act.

Supervisory board - in a two-tier board system of corporate governance, the body whose function is to supervise, on behalf of the shareholders, or policyholders in the case of a mutual, the activities of the management board. [Other related definitions: board of directors, management board, supervisory body, two-tier board system of corporate governance, unitary board system of corporate governance].

Supervisory body - body responsible for supervision of the management of an insurer or intermediary. [Other related definitions: board of directors, management board, supervisory board, two-tier board system of corporate governance, unitary board system of corporate governance].

Two-tier board system of corporate governance - when the corporate governance of an insurer is divided into two boards and executed separately; where a supervisory board supervises a management board. This system exists in jurisdictions in which, for reasons of conflict of interest, a member of the management board (business operational function) cannot be a member of the supervisory board (monitoring function) of the same legal entity at the same time. [Other related definitions: board of directors, management board, supervisory board, supervisory body, unitary board system of corporate governance].

Unbundling (Bifurcation) - For accounting purposes unbundling is the separation of a contract into financing and risk transfer components.

Unitary board system of corporate governance - when there is only one high level of corporate governance, being the board of directors with all corporate powers, as opposed to a two-tier board system where a supervisory board supervises a management board. [Other related definitions: board of directors, management board, supervisory board, supervisory body, two-tier board system of corporate governance].

** Please note that the full Glossary of terms, including sources, can be found in the public area of the IAIS website.*

Feedback

Please send comments or suggestions to Arup Chatterjee, Editor, at arup.chatterjee@bis.org or Anne-Marie Kelly, Design and Layout, at anne-marie.kelly@bis.org.

Welcome

Zhenzhen Jiang

Member of Secretariat

Zhenzhen Jiang (Edward), a Section Chief from the International Department of China Insurance Regulatory Commission (CIRC), enthusiastically joins the IAIS Secretariat for a one-year secondment starting in early April.

Zhenzhen regards himself as a novice to insurance regulation, as his career in China's insurance watchdog only started at the end of 2004. However, Zhenzhen is more than happy to contribute to the work of the IAIS Secretariat with his experiences at the CIRC, where he has been involved in sectors such as international insurance regulatory negotiations, on-site examination, and researches on insurance supervision.

Before his career at the CIRC, Zhenzhen spent four years at the Chinese Ministry of Commerce (MOFCOM), where he worked as the principal trade administrator for EU affairs, dealing with high-profile trade and economic issues between China and the EU. His responsibilities then included conducting analytical studies and research on the bilateral trade and investment flows, representing the MOFCOM in trade dispute settlements with the EU under the WTO, and drafting the Chinese strategic trade policy vis-a-vis the EU.



Indeed, Zhenzhen feels highly privileged and looks forward to his service with the IAIS Secretariat, where he will not only broaden his horizon and develop his expertise in insurance supervision, but also reinforce solid cooperation and effective communication between the IAIS and the CIRC. In addition, Zhenzhen is extremely excited about relocating to Switzerland, the most beautiful country where he paid his first ever overseas visit.

Zhenzhen graduated with distinction from Beijing Foreign Studies University in 2000, with a major in English and a minor in Economics. With immense zest for finance, he has been pursuing a part-time graduate programme in Finance at the University of International Business and Economics of China. Zhenzhen has a keen interest in insurance, particularly for more quantitative subjects such as stochastics and risks. He is keen to explore similarities and disparities between actuarial science and financial engineering.

Zhenzhen enjoys football and basketball in his spare time, and cannot wait for the forthcoming World Cup!

Sylvie Ellet

Administrative Officer

Sylvie joins the IAIS after 5 years in the IT Controlling and Resource Management department of the BIS where she was involved in procurement, 5 years in a fiduciary company in Basel and 10 years in a French IT company. She will work 60% (in the mornings) as an administrative officer with special focus on emerging market activities, and act as a back-up for the update of the IAIS website.

She looks forward to working with this nice and lively team!

She's of French nationality, and whenever she finds time between work and family, what she enjoys the most is running in the forests of the Alsatian border where she lives.



Goodbye

Cecilia Müller-Chen

After her 18 months' academic sabbatical, taken to reflect and study around the world, Cecilia has left the IAIS. We wish to thank her for her drive and enthusiasm, and her contribution to the IAIS over the last few years.

Observership Application Form



Observership Application Form

International Association of Insurance Supervisors
c/o Bank for International Settlements
CH-4002 Basel
Switzerland

Telephone +41 61 225 73 00
Fax +41 61 280 91 51
E-mail iais@bis.org
Website www.iaisweb.org

Name of organisation

Address

City

Country

General Telephone

General Fax

Website

Name of representative

Title

E-mail

Direct Telephone

Direct Fax

Observership fee for the year 2006: CHF9,250

Is the applicant an (please check the corresponding category)

official government
organisation

insurer

advisor to industry/
or to regulators on:

international government
organisation

a life insurer

prudential issues

association of insurers

a general insurer

market conduct issues

a reinsurer

other (please describe)

Preferably pay by wire transfer to:

UBS AG
P.O. Box
CH-8001 Zurich
Switzerland

Bank routing code: ABA026007993
Swift code: UBSWCHZH80A
International Association of Insurance Supervisors
Account No: CH54 0023 0230 1054 8939 0

Please return this form to:

International Association of Insurance Supervisors (IAIS)
c/o Bank for International Settlements
CH-4002 Basel
Switzerland

Fax +41 61 280 91 51
E-mail iais@bis.org

IAIS Observer
Potential Applicants for Observer Status
Advantages of being an Observer
Procedure for becoming an Observer
Main restrictions on Observer
Objective of the IAIS

As a result of requests from various insurance professionals, the IAIS has introduced an 'Observer' category, open to non-regulators.

All those who are interested in contributing to the work of the IAIS can apply to become an Observer of the Association.

Observers have the following rights concerning the main IAIS activities:

1. Involvement in the official consultation procedure of IAIS insurance standards and textbooks

Setting global insurance standards for insurance regulators is a core part of IAIS activities. IAIS Observers receive draft IAIS standards for comment before they are finalised and issued.

2. Participation in IAIS meetings, seminars and conferences

IAIS, in collaboration with Members and other relevant bodies, organises various meetings, seminars and conferences in order to establish better communication and cooperation among participants. IAIS Observers receive invitations to such meetings, seminars and conferences when appropriate. IAIS Observers can participate in the IAIS Annual Conference and pay the same conference fee as Members.

Observers are thus able to participate in and contribute to developing close communication between insurance regulators and supervisors and to establishing sound insurance markets.

3. Receipt of IAIS publications

IAIS Observers receive the following IAIS papers and publications as part of their annual fees to the IAIS, via the IAIS Members and Observers' area of the IAIS website or e-mail:

- IAIS World Directory - IAIS publishes the World Directory which contains contact information (name, address, telephone and fax numbers, e-mail and website addresses) for each IAIS member (the regulatory authorities in currently more than 180 jurisdictions) and observer. The information is updated regularly.
- IAIS Newsletter - IAIS publishes a quarterly Newsletter, which contains reports on the main IAIS activities such as development of new standards, committee meetings, training seminars, conferences, new developments in insurance regulation and supervision in member countries, etc.
- IAIS papers and publications - IAIS regularly publishes insurance standards, issue papers (analytical papers) and discussion papers.

4. Access to IAIS Observer website

IAIS observers have access to the restricted area of the IAIS website where Members and Observers can obtain information on the activities of working groups.

1. Interested parties should complete the attached application form and send it to the IAIS Secretariat. They should also transfer the annual fee (for the **year 2006 CHF9,250**) to the designated IAIS account.
2. Upon receipt of the application form and annual fee, the IAIS Secretariat will send a letter acknowledging the application.
3. After receiving this acknowledgement letter, the applicant can participate in IAIS activities as mentioned above.
4. The applicant will officially become an Observer on approval of its application at the IAIS Annual General Meeting, which is held in the fall of each year.

1. An Observer does not have the right to be a member of any IAIS committee, subcommittee, working group or task force.
2. An Observer cannot attend Members' only sessions of IAIS meetings.
3. An Observer is not entitled to vote.

In view of the globalisation of the financial markets, IAIS resolves to improve cooperation to maintain efficient, fair, safe and stable insurance markets. IAIS utilises its income solely for the purposes of achieving the aforementioned objectives. IAIS does not distribute any profit or dividend to any Member. The IAIS legal status is a Swiss 'Verein' (Association).

About the International Association of Insurance Supervisors (IAIS)

The IAIS was established in 1994. Its membership includes insurance regulators and supervisors of some 180 jurisdictions in more than 120 countries. It also has more than 100 Observers who are insurance industry associations, insurers and reinsurers, insurance professionals or consultants, and international financial institutions. Its objectives are to:

- Cooperate to ensure improved supervision of the insurance industry on a domestic as well as on an international level in order to maintain efficient, fair, safe and stable insurance markets for the benefit and protection of policyholders
- Promote the development of well-regulated insurance markets
- Contribute to global financial stability

The IAIS develops principles, standards and guidance papers on insurance supervision. In doing so, it helps establish and maintain fair and efficient insurance markets for the benefit and protection of policyholders. The IAIS also prepares issues papers that provide background on specific areas of interest to insurance supervisors.

The IAIS is active in promoting the implementation of its supervisory standards through training activities. It works closely with international organisations, regional groups and supervisory authorities to accomplish this mission. The IAIS also develops implementation tools such as case studies on supervisory issues.

The IAIS contributes to assessments of jurisdictions' observance of standards in close collaboration with the International Monetary Fund and The World Bank. The Insurance core principles and methodology self-assessment questionnaire is used for this purpose and by any jurisdiction wishing to improve its supervisory laws and practices. In this regard the IAIS maintains a list of qualified insurance experts able to conduct assessments.

The IAIS collaborates closely with other international regulatory organisations. In particular, the IAIS is one of the constituting bodies of the Joint Forum and participates in all of its working groups. It is represented on the Financial Stability Forum. The IAIS provides input to the International Accounting Standards Board's work in establishing standards for insurance accounting and has two representatives on their Insurance Working Group, and one on their Standards Advisory Council. It also has observer status on the Financial Action Task Force.

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Fax: 41-61-280-9151

E-mail: iais@bis.org

Website: www.iaisweb.org

IAIS principles, standards and guidance papers

The IAIS is committed to developing standards that can be used by insurance supervision throughout the world. IAIS papers represent best practices or targets, for supervisors to work towards; they can be implemented in a flexible manner depending on the circumstances within each jurisdiction. The following papers have been issued since IAIS' inception.

Overarching standard setting papers

- Framework for insurance supervision, October 2005
- Cornerstones for the formulation of regulatory financial requirements, October 2005
- Roadmap for a common structure and common standards for the assessment of insurer solvency, February 2006

Principles

The IAIS sets out principles that are fundamental to effective insurance supervision. The principles identify areas in which the insurance supervisor should have authority or control. These form the basis from which standards and guidance papers are developed.

Periodically, members carry out self-assessments to determine whether they comply with the insurance core principles.

1. Insurance core principles & methodology, October 2003
2. Supervision of international insurers and insurance groups and their cross-border business operations, December 1999
3. Conduct of insurance business, December 1999
4. Supervision of insurance activities on the Internet, October 2004
5. Capital adequacy and solvency, January 2002
6. Minimum requirements for supervision of reinsurers, October 2002

Standards

Standards focus on particular issues and describe best or most prudent practices. In some cases, standards will set out best practices for a supervisory authority; in others, the papers describe the practices a well managed insurer would be expected to follow and, thereby, assist supervisors in assessing the practices that insurers in their jurisdictions have in place.

1. Licensing, October 1998
2. On-site inspections, October 1998
3. Derivatives, October 1998
4. Asset management by insurance companies, December 1999
5. Group coordination, October 2000
6. Exchange of information, January 2002

7. Evaluation of the reinsurance cover of primary insurers and the security of their reinsurers, January 2002
8. Supervision of reinsurers, October 2003
9. Disclosures concerning technical performance and risks for non-life insurers and reinsurers, October 2004
10. Fit and proper requirements and assessment for insurers, October 2005
11. Disclosures concerning investment risks and performance for insurers and reinsurers, October 2005

Guidance papers

Guidance papers are designed to assist supervisors, although sometimes they are mostly addressed to insurers.

1. Insurance regulation and supervision for emerging market economies, September 1997
2. Model memorandum of understanding to facilitate the exchange of information between financial supervisors, September 1997
3. Fit and proper principles and their application, October 2000 (replaced by standard #10)
4. Public disclosure by insurers, January 2002
5. Anti-money laundering and combating the financing of terrorism, October 2004
6. Solvency control levels, October 2003
7. The use of actuaries as part of a supervisory model, October 2003
8. Stress testing by insurers, October 2003
9. Investment risk management
10. Combating the misuse of insurers for illicit purposes, October 2005
11. Risk transfer, disclosure and analysis of finite reinsurance, October 2005

Issues papers

- Life insurance securitisation, October 2003
- Non-life securitisation, October 2003
- Risks to insurers posed by electronic commerce, July 2003
- Solvency, solvency assessments and actuarial issues, March 2000

Other papers

- Report on insurance core principles self-assessment exercise 2004/2005, February 2006
- Insurance laws, regulations and practices in IAIS member jurisdictions, October 2005
- Assessing the IAIS' requirements on cross-border and cross-sector cooperation and

information exchange, May 2005

- Issues arising as a result of the IASB's Insurance Contract Project – Phase II – Initial IAIS observations, May 2005
- Global reinsurance market report 2004, December 2005
- Global reinsurance market report 2003, December 2004
- Examples of money laundering, October 2004
- Task Force Re report, April 2004
- Quantifying an assessing insurance liabilities discussion paper, October 2003
- Credit risk transfer between insurance, banking and other financial sectors, March 2003

Work in progress

Standards

- Asset and liability management
- Disclosures concerning technical performance and risks for life insurers and reinsurers
- Disclosures (to consolidate and replace the three preceding standards)
- Financial, governance and market conduct standards for the assessment of insurer solvency
- Suitable forms of capital
- Revision of the standard No. 7: *Evaluation of the reinsurance cover of primary insurers and the security of their reinsurers*

Guidance papers

- Preventing, detecting and remedying fraud in insurance
- Use of internal models
- Revision of the guidance paper #11: *Risk transfer, disclosure and analysis of finite reinsurance*

Other papers

- Common structure for assessment of insurer solvency
- Global reinsurance market report 2005
- Mutual recognition of reinsurers
- Second comment paper on Issues arising as a result of the IASB's Insurance Contract Project – Phase II
- Survey on supervisors' response to and assessment of impact of IFRS 4
- Revision of the "Life insurance securitisation" and the "Non-life securitization" papers

IAIS members

Albania	Albanian Insurance Supervisory Authority
Argentina	Superintendencia de Seguros de la Nacion Argentina
Aruba	Centrale Bank van Aruba
Australia - APRA	Australian Prudential Regulation Authority (APRA)
Australia - PHIAC	Private Health Insurance Administration Council (PHIAC)
Australia (NSW)	Motor Accidents Authority of NSW
Austria	Financial Market Authority (FMA)
Bahamas	Office of the Registrar of Insurance Companies, Ministry of Economic Development
Bahrain	Bahrain Monetary Agency
Barbados	Ministry of Finance and Economic Affairs
Belgium	Commission bancaire, financière et des assurances (CBFA)
Belize	Office of the Supervisor of Insurance
Bermuda	Bermuda Monetary Authority
Bhutan	Royal Monetary Authority of Bhutan
Bolivia	Superintendencia de Pensiones, Valores y Seguros
Botswana	Ministry of Finance & Development Planning
Brazil	Superintendencia de Seguros Privados (SUSEP)
British Virgin Islands	Financial Services Commission (FSC)
Bulgaria	Financial Supervision Commission
Canada - OSFI	Office of the Superintendent of Financial Institutions
Canada (Quebec)	Autorité des marchés financiers
Cayman Islands, BWI	Cayman Islands Monetary Authority

Chile	Superintendencia de Valores y Seguros
China	China Insurance Regulatory Commission
Chinese Taipei	Financial Supervisory Commission
Croatia	Croatian Agency for Supervision of Financial Services
Cyprus	Insurance Companies Control Service
Czech Republic	Czech National Bank Insurance Regulation and Supervision Department
Denmark	Finanstilsynet (Danish Financial Supervisory Authority)
Dominican Republic	Superintendencia de Seguros de la República Dominicana
Ecuador	Superintendencia de Bancos
Egypt	Egyptian Insurance Supervisory Authority
El Salvador	Superintendencia del Sistema Financiero
Estonia	Estonian Financial Supervision Authority
European Commission	European Commission
Fiji	Reserve Bank of Fiji
Finland - Authority	Insurance Supervisory Authority
Finland - Ministry	Ministry of Social Affairs & Health
France - ACAM	Autorité de Contrôle des Assurances et Mutuelles - ACAM
France - Ministry	Ministère de l'Economie, des Finances et de l'Industrie
Georgia	Insurance State Supervision Service of Georgia
Germany - BAFIN	Bundesanstalt für Finanzdienstleistungsaufsicht
Germany - Ministry	Federal Ministry of Finance
Ghana	National Insurance Commission Ghana
Gibraltar	Financial Services Commission
Greece	Ministry of Development. Direction of Insurance Undertakings and Actuary

Guatemala	Superintendencia de Bancos
Guernsey	Guernsey Financial Services Commission
Guinea	Direction des Assurances
Honduras	Comision Nacional de Bancos y Seguros
Hong Kong	Office of the Commissioner of Insurance
Hungary	Hungarian Financial Supervisory Authority
Iceland	The Financial Supervisory Authority
IMF	International Monetary Fund (IMF)
India	Insurance Regulatory and Development Authority
Iraq	Iraqi Insurance Diwan
Ireland	Central Bank & Financial Services Authority of Ireland
Isle of Man	Isle of Man Government, Insurance and Pensions Authority
Israel	Ministry of Finance
Italy	ISVAP
Jamaica	Financial Services Commission
Japan	Financial Services Agency
Jersey	Jersey Financial Services Commission
Jordan	Insurance Commission
Kazakhstan	Financial Supervision Agency of Kazakhstan
Kenya	Ministry of Finance Department of Insurance
Kosovo	Banking and Payments Authority of Kosovo
Kuwait	Ministry of Commerce & Industry
Latvia	The Financial and Capital Market Commission
Lebanon	Insurance Control Commission

Lesotho	Central Bank of Lesotho
Liechtenstein	FMA Financial Market Authority
Lithuania	Insurance Supervisory Commission of the Republic of Lithuania
Luxembourg	Commissariat aux Assurances
Macau	Autoridade Monetária de Macau
Macedonia	Ministry of Finance
Malaysia	Bank Negara Malaysia
Malaysia (Labuan)	Labuan Offshore Financial Services Authority (LOFSA)
Malta	Malta Financial Services Authority
Mauritius	Financial Services Commission
Mexico	Comision Nacional de Seguros y Finanzas
Mongolia	Ministry of Finance and Economy
Morocco	Direction des Assurances et de la Prevoyance Sociale
Namibia	Namibia Financial Institutions Supervisory Authority (NAMFISA)
Nepal	Beema Samiti (Insurance Board)
Netherlands - Authority	De Nederlandsche Bank
Netherlands - Ministry	Ministerie van Financiën
Netherlands Antilles	Bank van de Nederlandse Antillen
Nevis	Nevis Financial Services Department
New Zealand	Ministry of Economic Development
Norway	Kredittilsynet
OECD	Organization for Economic Co-operation & Development
Pakistan	Securities and Exchange Commission of Pakistan (Insurance Division)
Panama	Superintendencia de Panama

Papua New Guinea	Department of Finance & Treasury
Peru	Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones del Peru (SBS)
Philippines	Insurance Commission
Poland	Insurance and Pension Funds Supervisory Commission
Portugal	Instituto de Seguros de Portugal
Qatar	Qatar Financial Centre Regulatory Authority
Republic of Korea	Financial Supervisory Service (FSS) & Financial Supervisory Commission (FSC)
Romania	Insurance Supervisory Commission
Russia	Federal Authority for Insurance Supervision (FAIS)
Samoa	International Companies Office
Saudi Arabia	Saudi Arabian Monetary Agency (SAMA)
Serbia	National Bank of Serbia, Insurance Supervision Department
Singapore	Monetary Authority of Singapore
Slovakia	National Bank of Slovakia
Slovenia	Insurance Supervisory Authority
South Africa	Financial Services Board
Spain	Dirección General de Seguros y Fondos de Pensiones
Sri Lanka	Insurance Board of Sri Lanka
Sudan	Insurance Supervisory Authority
Sultanate of Oman	Capital Market Authority
Suriname	Centrale Bank van Suriname
Sweden	Finansinspektionen
Switzerland	Bundesamt für Privatversicherungen
Syria	Syrian Insurance Supervisory Commission (SISC)

Tanzania	Ministry of Finance
Thailand	Department of Insurance
Trinidad & Tobago	Central Bank of Trinidad & Tobago
Tunisia	Ministère des Finances, Comité Général des Assurances
Turkey	Prime Ministry, Undersecretariat of Treasury
Turks & Caicos BWI	Financial Services Commission
Uganda	Uganda Insurance Commission
Ukraine	State Commission for Regulation of Financial Services Markets in Ukraine
United Arab Emirates	Dubai Financial Services Authority (DFSA)
United Kingdom	Financial Services Authority
Uruguay	Superintendencia de Seguros y Reaseguros
USA	National Association of Insurance Commissioners (NAIC)
Vanuatu	Vanuatu Financial Services Commission
WB	World Bank (WB)
Zambia	Pensions and Insurance Authority

IAIS observers

International Institutions

ADB	Asian Development Bank
AISAM	Association Internationale des Sociétés d'Assurance Mutuelle
CEA	Comité Européen des Assurances
FIDES	Federación Interamericana de Empresas de Seguros
IAA	International Actuarial Association
ICMIF	International Cooperative and Mutual Insurance Federation
IIF	International Insurance Foundation
The Geneva Assn	The Geneva Association
WFII	World Federation of Insurance Intermediaries
Australia	Insurance Council of Australia Limited
Bermuda	Association of Bermuda Insurers and Reinsurers
Bermuda	Scottish Re Group Limited
Brazil	Federação Nacional das Empresas de Seguros Privados e de Capitalização (FENASEG)
Canada	Assuris
Canada	Canadian Life & Health Insurance Association Inc.
Canada	Insurance Bureau of Canada
Canada	Lawrie Savage & Associates Inc.
Canada	Manulife Financial
Canada	Property and Casualty Insurance Compensation Corporation (PACICC)
Canada	RGA International Corporation
Canada	Sun Life Financial
Canada	The Toronto International Leadership Centre for Financial Sector Supervision
Chinese Taipei	Taiwan Insurance Institute
Chinese Taipei	The Life Insurance Association of the Republic of China
Chinese Taipei	The Non-Life Insurance Association of the Republic of China
Finland	Federation of Finnish Insurance Companies
France	AXA Group
France	Deloitte Touche Tehmatsu
France	Fédération Française des Sociétés d'Assurance (FFSA)
France	SCOR
Germany	Allianz AG
Germany	Gesamtverband der Deutschen Versicherungswirtschaft
Germany	KPMG Deutsche Treuhand-Gesellschaft AG
Germany	Munich Re Group
India	ICICI Lombard General Insurance Co Ltd
Ireland	Dublin International Insurance & Management Association (DIMA)
Israel	Association of Life Insurance Companies Ltd
Italy	Associazione Nazionale fra le Imprese Assicuratrici (ANIA)
Japan	Aioi Insurance Co, Ltd
Japan	Meiji Yasuda Life Insurance Company
Japan	Mitsui Sumitomo Insurance Co, Ltd

USA	American Council of Life Insurers
USA	American Insurance Association
USA	American International Group Inc.
USA	Group of North American Insurance Enterprises, Inc
USA	Insurance Services Office, Inc.
USA	New York Life International
USA	Office of Thrift Supervision
USA	Property Casualty Insurers Association of America (PCI)
USA	Reinsurance Association of America
USA	The Chubb Corporation
USA	The PMI Group, Inc.



International Association of Insurance Supervisors

Press release

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16 February 2006

IAIS issues roadmap paper for standards on insurance solvency assessment

The International Association of Insurance Supervisors (IAIS) today issued a paper that outlines its work plan and timetable for the development of international supervisory standards on insurance solvency assessment.

Entitled *Roadmap for a common structure and common standards for the assessment of insurer solvency*, and referred to as the 'roadmap paper', it outlines the deliverables needed for the future development of shared standards for the assessment of insurer solvency and timeframes for their delivery. The paper sketches how the IAIS plans to build upon the details elaborated in the publication *Towards a common structure and common standards for the assessment of insurer solvency: cornerstones for the formulation of regulatory financial requirements*. Issued in 2005, this paper served to enhance transparency and comparability of insurers' solvency situations and of solvency regimes worldwide, to the benefit of consumers, the industry, investors and other interested parties.

Tom Karp, Chairman of the IAIS Technical Committee said, "The IAIS places high priority on this work plan, which extends over a number of years, and charts the course for future work to deliver a common structure and standards for insurer solvency assessment. It will support and enhance transparency and convergence of solvency standards for insurers worldwide."

Currently the IAIS is developing a comprehensive paper, *The IAIS common structure for the assessment of insurer solvency* that will detail the IAIS philosophy on the assessment of insurer solvency; the paper is expected to be completed later this year. This is expected to be followed by further standards and possibly guidance papers in four main areas of solvency assessment: the determination of insurance liabilities and technical provisions; the determination of capital requirements; the suitability and valuation of assets; and the recognition and valuation of forms of capital.

The 'roadmap paper' is now available on the IAIS website at www.iaisweb.org.

About the IAIS

The IAIS was established in 1994 to develop international principles and standards for insurance supervision, and to improve supervisory systems for the insurance industry through mutual assistance and cooperation. It has a membership of insurance supervisors from over 180 jurisdictions and more than 100 observers.



International Association of Insurance Supervisors

Press release

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15 December 2005

IAIS issues second global reinsurance market report

The International Association of Insurance Supervisors (IAIS) has today published its second global reinsurance market report. The report is based upon global reinsurance market statistics for the financial year 2004, covering a high proportion of reinsurance activity worldwide.

The report reviews the overall financial health of the sector during 2004, during which it was able to withstand a number of natural catastrophes, including four major hurricanes in the US and typhoons in Japan. It also briefly discusses the 2005 loss-causing events – in particular Hurricane Katrina, the impact of which fell heavily on the reinsurance sector – concluding that while reinsurer earnings will be significantly reduced there will not be a significant adverse impact on the reinsurance sector's overall capital.

It observes that reinsurers' participation in credit risk transfer remains modest and that, more generally, reinsurers' involvement in derivatives continues to be primarily for hedging (ie risk mitigation) rather than speculative purposes. The report outlines how regulatory authorities in each of the reporting jurisdictions deal with stress and scenario testing as well as giving examples of how individual reinsurers deal with this subject.

Julian Adams, Chairman of the IAIS Reinsurance Transparency Group, the IAIS working party which produced the report, commented: "The reinsurance sector has shown considerable resilience in the face of two years of higher than expected natural catastrophes. It has also demonstrated more recently that it is able to attract additional capital both in the form of new start-ups as well as support for existing reinsurers. However, the greater frequency and severity of catastrophes underlines the fundamental importance of reinsurers being able to understand their aggregate exposure positions and to perform stress and scenario testing of these positions to ensure that they remain within the tolerances of their defined risk appetite."

The group will continue to monitor closely work in the field of risk-oriented disclosures by internationally active reinsurers as well as to consider potential development of the framework for producing the statistics.

The statistics on which this report is based are made up of data provided by supervisors in seven jurisdictions – Bermuda, France, Germany, Japan, Switzerland, the UK and the US – in which 53 significant reinsurance entities are domiciled and represent a continued drive by supervisors and industry in participating jurisdictions to improve the transparency of the global reinsurance industry.

The full report is now available on the IAIS website at www.iaisweb.org.

About the IAIS

The IAIS was established in 1994 to develop international principles and standards for insurance supervision, and to improve supervisory systems for the insurance industry through mutual assistance and cooperation. It has a membership of insurance supervisors from over 180 jurisdictions and more than 100 Observers.