



**INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS**

c/o BANK FOR INTERNATIONAL SETTLEMENTS, CH-4002 BASLE

**Contact: Knut Hohlfeld, Secretary General
Tel: 41 61 280 9134**

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IAIS/OECD Insurance Supervisory Seminar for Asian Countries

1. Introduction

In the framework of recent Asian financial crisis, two international meetings dealing with the financial safety and soundness of insurance companies were held in Singapore on 1-4 February 1999: the IAIS (International Association of Insurance Supervisors) Seminar on Insurance Supervision and the OECD (Organisation for Economic Co-operation and Development) Conference on Insurance Regulation and Supervision in Asia. The IAIS seminar and the OECD policy dialogue aimed at promoting the strengthening of insurance regulatory and supervisory systems.

The meetings were hosted by the Monetary Authority of Singapore (MAS) and opened by Mr. Lim Hng Kiang, Minister for National Development and Second Minister for Finance, who called for greater regulatory co-operation and dialogue among Asian economies as well as advanced market countries and the international organisations. Other opening speakers were His Excellency Hashimoto, Ambassador of Japan and Mrs Conruyt, chairperson of the OECD Insurance Committee. These meetings benefited from funding contributions from the Government of Japan, MAS and the IIF (International Insurance Foundation).

2. IAIS Seminar

The IAIS Seminar on 3-4 February focused on crisis prevention from the insurance regulatory/supervisory perspective. The IAIS is the international insurance standard-setting body, whose standards have been adopted globally by over 100 jurisdictions. Targeted at the insurance supervisors of Asian economies, the Seminar assembled about 70 high level supervisory and regulatory officials from all over the world.

The Seminar was chaired by Mr Jean-Louis Bellando, Secretary General, Commission de Contrôle des Assurances, France and co-chaired by Mrs Lim Shu Chiau. The main part of the Seminar consisted of case studies. The Asian supervisors exchanged views particularly on: essential elements of IAIS supervisory standards, current regulatory/supervisory challenges for financial stability in Asian countries, crisis prevention, in particular supervision of insurance companies in difficulties and implementation of the IAIS supervisory standards. Asian insurance supervisors, when appropriate and suitable, will consider implementing IAIS supervisory principles and standards.

Concluding the discussions, supervisors were urged to have regard to the following points in the treatment of insurance companies in difficulties:

- always keep in mind the preventive mission of supervision;
- assess the seriousness of the situation and adapt the measures requested by the company according to the perceived degree of urgency;

- examine whether measures (for instance, prohibiting the free disposal of assets or appointing a temporary administrator) are necessary to protect the interests of the insured;
- if the recovery endeavour fails, choose from among the available sanctions that whose severity and nature are most relevant to safeguarding the interests of the insured, taking into account the nature of the infraction;
- endeavour to the very end, to promote take-over solutions (mergers, transfers of contract portfolios, etc.);
- and withdraw the licences and announce liquidation due to insolvency only as a very last resort.

3. OECD Conference on Insurance Regulation and Supervision in Asia

The OECD Conference on Insurance Regulation and Supervision in Asia on 1-2 February was organised in the framework of the outreach activities of the OECD Insurance Committee and the Centre for Co-operation with Non-Members programme. The Conference was sponsored by the Government of Japan and the MAS, whose Insurance Department Head, Mrs Lim Shu Chiau co-chaired the meeting. It brought together more than 110 high level participants, from 12 Asian economies (Brunei, Hong Kong, Indonesia, Lao PDR, Macau, Malaysia, the Philippines, Singapore, Sri Lanka, Chinese Taipei, Thailand and Vietnam) and from a large number of the OECD Member countries. Sessions focused on an overview of insurance markets and regulation, a survey of financial turmoil impact, issues related to the prevention of financial insolvencies of insurers through prudential regulation, solvency and investment regulation and how best to address these financial difficulties.

It was the first time the OECD organised a meeting on insurance issues in Asia, after holding numerous meetings in the 1990s with Central and Eastern European countries and the New Independent States. This reflects the new orientation of the OECD outreach programme on insurance and private pension issues, which put more emphasis on policy dialogues with emerging countries.

The following conclusion were endorsed by the participants: *In the wake of the recent financial and economic turbulence in Asia, this conference provided an unique opportunity for participants from Asian and OECD countries to discuss key regulatory policy issues and how to prevent and address difficulties that insurance companies may face. Participants largely agreed that high policy priority should be attached to designing and implementing effective supervisory and regulatory systems for insurance business. Particularly, the participants from Asian countries acknowledged the importance and relevance for their markets, with appropriate qualification related to the characteristics of these markets, of the "Twenty Insurance Guidelines" which were developed by the OECD in order to promote basic principles on broad insurance policy issues to the attention of policymakers from non-OECD members.*

The Conference discussed and highlighted the importance or strong licencing criteria, adequate solvency measures and proper technical provisions, appropriate regulation of investment (including valuation and disclosure), promotion of relevant methods and actuarial profession, monitoring of reinsurance business and development of specific measures to handle distressed insurance companies, and further liberalisation of insurance markets of Asian countries. The participants from Asian countries underlined the crucial importance to consider the specific needs and stages of development of their insurance markets.

In addition, the participants from Asian countries took note and appreciated the significance and relevance of the Recommendation on Assessment of Reinsurance Companies by the OECD Council.

Proceedings of the meetings will be made available shortly.

4. Future Co-operation

Finally, at both meetings participants recognised the need for further co-operation. In this respect, it was recommended that consideration should be given to the following work:

- the OECD will organise on a regular basis similar policy dialogue meetings and technical workshops (with a limited number of countries) on specific issues and will launch related selected studies for policy action;
- upon requests, the IAIS will consider providing technical training and educational assistance for Asian supervisory authorities;
- the IAIS and the OECD will support the efforts of Asian emerging economies to strengthen the insurance supervisory and regulatory systems and increase transparency of the system so as to ensure the proper function of market mechanisms;
- Asian insurance supervisors will strengthen exchange of information between other insurance supervisors as well as the IAIS and the OECD. The IAIS will assist in the activities by promoting the IAIS model Memorandum of Understanding and by providing Asian countries with relevant insurance supervisory material. The OECD is also willing to establish electronic networks between representatives of Asian insurance authorities and the OECD Secretariat in order, inter alia, to provide a channel for transmission of selected documentation distributed by the Insurance Committee;
- and the IAIS and the OECD will work closely to provide advice and assistance to Asian emerging economies through the activities mentioned above.