INTERNATIONAL ASSOCIATION
OF INSURANCE SUPERVISORS

1995 ANNUAL REPORT

THE INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS - *IAIS*

The International Association of Insurance Supervisors (IAIS) was formed in 1992 and is comprised of international regulatory officials representing over 70 countries.

The IAIS was formed to promote cooperation between those countries that supervise insurance, in an effort to maintain just and efficient insurance markets for the benefit and protection of policyholders. The exchange of information is also encouraged to promote the development of domestic insurance markets.

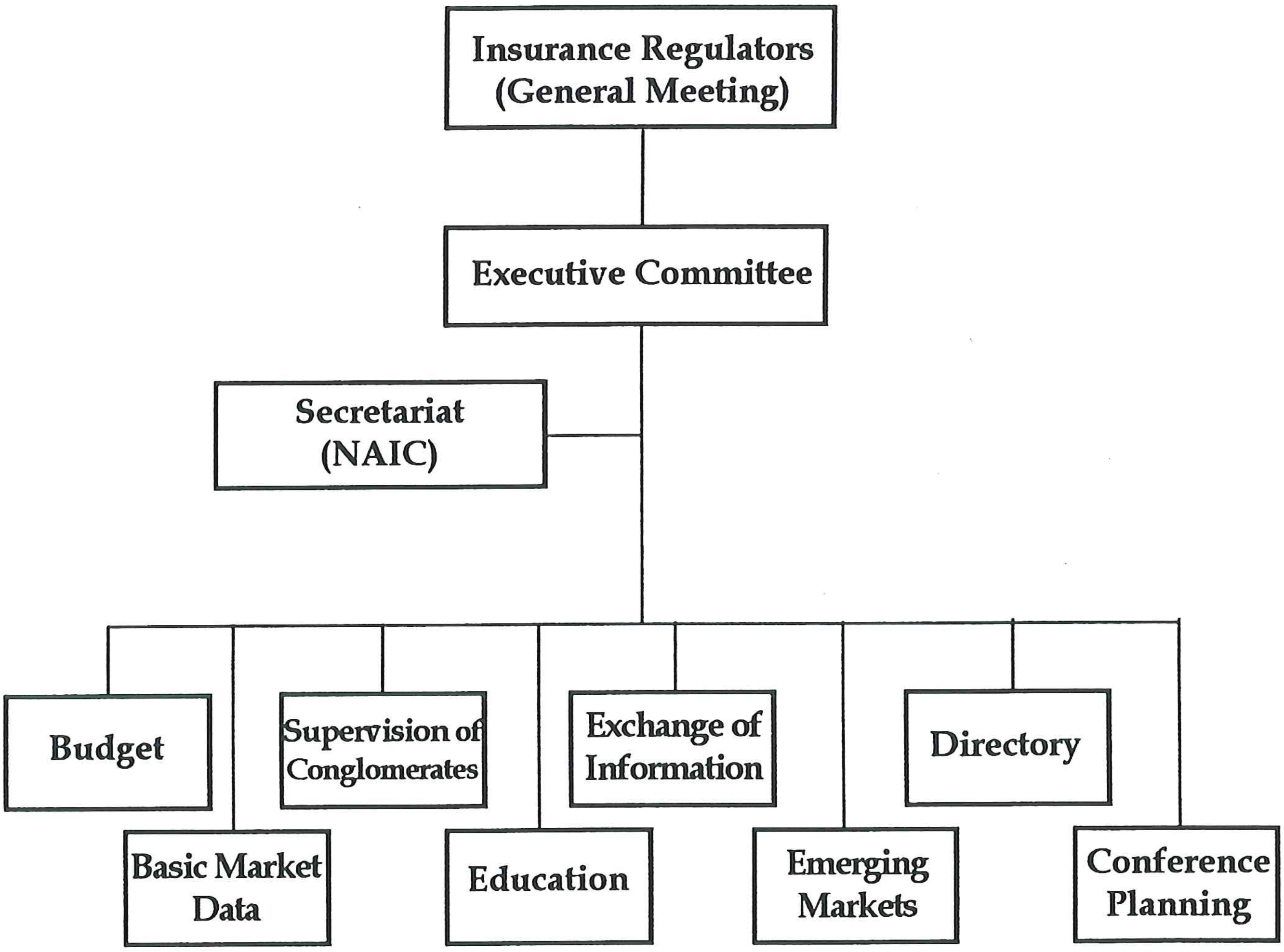
The Association is led by an Executive Committee comprised of a minimum of seven and a maximum of thirteen members who, as far as possible, represent different geographical regions. The Association is supported by a General Secretariat, (currently, the National Association of Insurance Commissioners in the United States) which is appointed by the Executive Committee.

The IAIS is comprised of several committees: Executive, Budget, Committee of the Future, Derivatives, Education, Exchange of Information, Directory, Supervision of Financial Conglomerates, Basic Market Data, Conference Planning, and Emerging Markets, that work toward achieving the Association's goals. Each year the IAIS hosts an annual conference to encourage bilateral and multilateral discussions on topics of interest.

Each year IAIS members come together during their Annual Conference to hold committee meetings and participate in discussions on topical issues affecting the regulation of insurance. The 1995 conference was held in St. Louis, Missouri in the United States. The 1996 conference will convene in Paris, France.

The IAIS is working towards offering its current and future members valuable tools to assist them in their task of the supervision of insurance.

IAIS Structure



1995 IAIS Executive Committee

Piet J. Badenhorst (Chair)
Executive Director
Financial Services Board
Private Bag X238, Pretoria 0001
116 Rigel Avenue, South Erasmusrand 0181
SOUTH AFRICA
Elected June 1994

George Pooley (Vice-Chair)
Commissioner
Insurance & Superannuation Commission
AAA Building
212 Northbourne Avenue, Braddon
Canberra 2600
AUSTRALIA
Elected June 1994

Dr. Peter Braumüller
Director
Ministry of Finance (Insurance Supervision)
Johannesgasse 14
1015 Vienna
AUSTRIA
Elected June 1994

Mónica Cáceres Ubilla
Intendente de Seguros
Superintendencia de Valores y Seguros
Teatinos N° 120 - 6° piso
Santiago
CHILE
Elected June 1994

Dr. Knut Hohlfeld
President
Bundesaufsichtsamt für das Versicherungswesen
Ludwigkirchplatz 3-4
D-10719 Berlin
GERMANY
Elected June 1994

Steve Butterworth
Superintendent of Insurance
Guernsey Financial Services Commission
Valley House, Hirzel Street
St. Peter Port
GUERNSEY GY1 2NP
Channel Islands, UK
Elected June 1995

Dr. László Asztalos
President
Supervising Authority of Insurance
P.O. Box 489
H-1369 Budapest
HUNGARY
Elected June 1994

Brian K. Atchinson
Superintendent
Dept. of Professional and Financial Regulation
Maine Bureau of Insurance
State House Station #34
Augusta, Maine 043330034
UNITED STATES
Elected June 1995

Juan Ignacio Gil Antón
President
Comisión Nacional de Seguros y Fianzas
Insurgentes Sur No. 1971
Torre Norte Dos 2 piso
Col. Guadalupe Inn.
Mexico City 10120
MEXICO
Elected June 1995

Mohsen Thabet
Directeur Général
Ministry of Finance
Direction Générale des Assurances
Place du Gouvernement
Tunis
TUNISIA
Elected June 1994

Chi-Shih Cheng
Director General
Department of Insurance
Ministry of Finance
No. 2 AI-KUO W. Road
Taipei
TAIWAN, ROC
Nominated October 1995

1995 IAIS Committee Membership

COMMITTEE	COMMITTEE CHAIR(S)	COMMITTEE MEMBERS
EXECUTIVE COMMITTEE	Piet Badenhorst, South Africa, Chair George Pooley, Australia, Vice Chair	Dr. Peter Braumüller, Austria Mónica Cáceres Ubilla, Chile Dr. Knut Hohlfeld, Germany Steve Butterworth, Guernsey László Asztalos, Hungary Juan Ignacio Gil Antón, Mexico Chi-Shih Cheng, Taiwan, R.O.C. Mohsen Thabet, Tunisia Brian K. Atchinson, USA/Maine
FUTURE OF IAIS COMMITTEE	George Pooley, Australia, Chair	John Thompson, Canada Eigil Mølgaard, Denmark Stéphane Pallez, France Juan Ignacio Gil Antón, Mexico Jose Braz, Portugal Capitolina Turbina, Russia Piet Badenhorst, South Africa Peter Pfund, Switzerland Brian K. Atchinson, USA/Maine
BUDGET COMMITTEE	George Pooley, Australia	Dr. Knut Hohlfeld, Germany Piet Badenhorst, South Africa Brian K. Atchinson, USA/Maine
BASIC MARKET DATA COMMITTEE	Dr. Knut Hohlfeld, Germany, Chair	Dr. Peter Braumüller, Austria Dr. László Asztalos, Hungary Juan Ignacio Gil Antón, Mexico Piet Badenhorst, South Africa Brian K. Atchinson, USA/Maine
SUPERVISION OF CONGLOMERATES COMMITTEE	Jonathan Spencer, United Kingdom, Co-Chair Jean-Marc Delporte, Belgium, Co-Chair	Dr. Joachim Henke, Germany Dr. A.J. Vermaat, Netherlands Piet Badenhorst, South Africa Vincent Laurenzano, NY Ins Dept., USA
EDUCATION COMMITTEE	Steve Butterworth, Guernsey, Chair	Dr. Knut Hohlfeld, Germany Jose Braz, Portugal Jean-Louis Bellando, France Capitolina Turbina, Russia Potjanee Thanavaranit, Thailand Brian K. Atchinson, USA/Maine
EMERGING MARKETS	Mohsen Thabet, Tunisia	
DIRECTORY COMMITTEE	Dr. László Asztalos, Hungary	Mónica Cáceres Ubilla, Chile
EXCHANGE OF INFORMATION COMMITTEE	Dr. Peter Braumüller, Austria, Chair	Mónica Cáceres Ubilla, Chile Juan Ignacio Gil Antón, Mexico Brian K. Atchinson, USA/Maine Capitolina Turbina, Russia
CONFERENCE PLANNING COMMITTEE	Stéphane Pallez, France Jean-Louis Bellando, France	Dr. Knut Hohlfeld, Germany Piet Badenhorst, South Africa Brian K. Atchinson, USA/Maine

REPORT OF A MEETING BETWEEN THE EXECUTIVE COMMITTEE AND THE BASLE COMMITTEE ON BANKING SUPERVISION

November 1995

George Pooley (Australia)

A dozen members of the Executive Committee and the Committee for the Future met with a number of members of the Basle Committee, at the invitation of the Basle Committee to discuss matters of mutual interest.

Mr. Badenhorst pointed out that the process of market integration of business and products between insurers, securities firms and banks is taking place and that for regulators and supervisors to be aware of these trends is insufficient. An integrated approach between regulation, supervision and co-operation between the various regulatory and supervisory authorities is also necessary. The G-7 Finance Ministers had asked the Basle Committee and IOSCO to improve regulatory arrangements in the interest of helping to stabilize financial markets. There was no obvious reason why the regulation of insurance should not be included in cooperation between supervisors.

The meeting considered possible areas of co-operation between the Basle Committee and IAIS. It was noted that insurance regulators would be working with banking and securities regulators in the Joint Forum. The mandate for the Joint Forum included the sharing of information between regulators and supervisors and technical issues such as capital adequacy, moral hazard risks, contagion, and consolidated supervision. The purpose of the Joint Forum was to develop standards for the supervision of conglomerates that traded across national boundaries.

There was discussion of a number of areas in which it would be possible for regulators of banks, insurers, and security firms to co-operate including sharing of information, disclosure of information to investors, capital adequacy requirements, fit and proper person testing, risk management disciplines, co-operation in the event of multi-national failures, institutional exposure to derivatives, reporting requirements, money laundering, bankruptcy and prevention, the role of custodians, and regulatory structures.

The meeting concluded that the following areas should be identified for possible co-operation between the Basle Committee and IAIS:

(1) The work of the Joint Forum.

(2) Derivatives. The Basle Committee sub-committee on Derivatives would provide information to IAIS with suggestions for how co-operation could be advanced. In the event that co-operation seemed meaningful, representatives from IAIS could join the Basle sub-committee on Derivatives with regard to further work.

(3) In respect of money laundering it was decided that this subject was already receiving attention in various fora.

(4) The comparison of industry and regulatory structures should be kept on the agenda for future meetings.

There was also some discussion of the rationale for the separation of insurance business and life or non-life conducted in the same entity into two separate entities; whether cases occurred where the failure of an insurer resulted in the failure of that insurer's business world wide- and whether foreign insurers are allowed to conduct business on a branch or subsidiary basis abroad.

Conclusion

It was decided that the meeting was of substantial benefit to the two parties and a further meeting of this forum should take place towards the end of 1996.

REPORT OF THE COMMITTEE OF THE FUTURE

George Pooley (Australia) - Chair

The Committee for the Future was established at the St. Louis meeting in 1995: to review the future roles and activities of the IAIS; to consider any consequential amendments to the by-laws; to consider any consequential organizational restructure; to report to the 1996 Paris meeting; and to circulate the Committee's report at least 90 days before the 1996 Conference. The Committee for the Future included the regulators from Australia (Chair), Canada, Denmark, France, Mexico, Portugal, Russia, South Africa, Switzerland and the USA. Mr. Cronin, NAIC, was the Secretary to the Committee.

The Committee met in Canberra in October 1995, in Basle in November 1995, in Copenhagen in February 1996 and in Washington in September 1996. In respect of the last three meetings of the Committee, some members of the Executive Committee also attended.

The Committee sent a questionnaire to all members in December 1995/January 1996 seeking information about the interests of members in respect of IAIS. The answers to the questionnaire were very useful in guiding the Committee's recommendations.

The Committee's report was considered by the Executive Committee in mid-1996 and dispatched to members by way of a letter dated 27 June. Attached to the letter were a number of resolutions of the Association for consideration at the Annual Meeting in October 1996. In July 1996 the Bank of International Settlements (BIS) made a proposal to the Executive Committee for the proposed IAIS Secretariat to be located at the BIS in Basle, Switzerland. To give consideration to that proposal the Executive Committee met in early September in Washington and decided to recommend the BIS proposal to members. A further letter to members was dispatched on 18 September in the form of an addendum to the Committee for the Future's report of 27 June 1996.

<u>The Resolutions</u>

Resolution A would involve a significant expansion in the activities of the Association: to improve the exchange of information between members; to strengthen the activities of the Education Committee; to centralize information on insurance laws, regulations and practices; and to establish new committees, including a Technical Committee to develop standards for supervision of insurance companies. The standards would take the form of broad principles, guidelines and recommendations based on good practice. It would be for each member to decide whether to adopt the standards, or not, through detailed arrangements and timing best suited to their own systems and local conditions.

Resolution B sets out proposals to amend the by-laws of the Association principally to permit the development of practical standards for supervision and to facilitate liaison and co-operation with the Basle Committee, IOSCO and other international entities. Other proposed amendments were of an "housekeeping" nature.

Recommendation C sets out a revised structure for the Association which would involve, inter alia, the establishment of two main committees; the Technical Committee and an Emerging Markets Issues Committee. The Technical Committee would be responsible for the collection, analysis and distribution of information about supervision and development of standards. The Emerging Markets Committee Issues Committee would promote the development and efficiency of emerging markets and focus on issues such as training programs, etc,

Resolution D proposed that the Association accept the offer of a grant from the Kingdom of Denmark to provide $US1.5m spread over four years to help establish an IAIS Secretariat in Copenhagen. The establishment of a stand alone Secretariat would go a long way towards facilitating the expanding role for the Association proposed in Resolution A. Even with the proposed Secretariat, members of Committees of the Association would continue to have to pay their own expenses in connection with each Committee's activities.

The **amended Resolution D** proposes that the Association accept a proposal from the BIS to provide about $US300,000 per year to help establish an IAIS Secretariat in Basle, Switzerland. The Executive Committee concluded that over a period of six years or longer the BIS proposal in both financial and non-financial terms was to be preferred to the very kind offer from the Kingdom of Denmark.

Resolution E amended proposes that the membership fee should increase for 1997 to $US2000 and that the fee for 1998 would probably need to be $US5000. The increased fees would, of course, be matched by benefits to members from the proposed extra activities including the development of standards.

Resolution F sets out the 1996 budget proposals.

Resolution G amended sets down the proposed 1997 budget based on the BIS proposal.

The proposed expansion of IAIS activities would not only meet members aspirations but the development of standards would go a long way towards bringing the status of the IAIS closer to that of the Basle Group for banks and IOSCO for securities regulators. It would also lead to improvements in the standards of insurance supervision, facilitate co-operation amongst insurance supervisors and other supervisors in financial markets.

The Association will continue to have to rely on the willingness of its members to serve on Committees, give their time and experience and fund their expenses to bring all these proposals to fruition. The development of standards, for example, would be no easy task, would be time consuming and would involve sensitive compromises.

The Executive Committee strongly recommends the proposed resolutions.

REPORT OF THE BUDGET COMMITTEE

George Pooley (Australia) - Chair

1995 Budget

The audited statements of accounts for 1995 are included elsewhere in the Annual Report.

1996 Budget

Proposals for the 1996 budget are contained in the Report for the Committee for the Future dispatched to members on 27 June. See Resolution F and Chapter 6, page 19 of the Committee for the Future's Report.

1997 Budget

The proposed budget for 1997 (based on the BIS offer) is set out on Page 5 of my letter to members of IAIS of 18 September 1996.

BASIC MARKET DATA COMMITTEE

Knut Hohlfeld (Germany) - Chair

The Basic Market Data Committee prepared a questionnaire asking for important basic data on the insurance markets in the IAIS member states. This questionnaire was sent to the members on August 7, 1995, and they were asked to enter the 1994 data in the table and return in to the IAIS secretariat by December 31, 1995. 51 replies had been received by the end of 1995. The secretariat will summarize the results and distribute them among the IAIS members.

REPORT OF THE EDUCATION COMMITTEE

Steve Butterworth (Guernsey) - Chair

The Education Committee have been working towards the production of a basic training manual for insurance supervisors. The manual is aimed primarily at those countries with a basic but developing insurance market and those countries in transition to a market economy. It is also expected to be of use to entrants to insurance supervisory departments of more developed countries.

The project was first brought forward by the Education Committee of the International Association of Insurance Supervisors and is being supervised by that Committee. The Insurance Programme Services Development Division of the United Nations Conference on Trade and Development (UNCTAD) has been working very closely with the Education Committee and, with the sponsorship of the Government of the Grand Duchy of Luxembourg, obtained sufficient funding to enable the commissioning of the writing of the manual by the Center for International Insurance Studies at the College of Insurance, New York, United States of America. The Education Committee and UNCTAD have been actively editing and have had effective input to the project.

The Education Committee consists of: Guernsey (Chair), Germany, Portugal, France, Thailand and Russia.

The Committee has been also advised by the Executive Committee together with several other countries and individuals, especially Standard & Poors in New York and John Gardner, consultant, who has drafted the chapters concerning reinsurance and reinsurance security. Thanks go to Hungary, South Africa, Switzerland, USA, Bahamas, Turks & Caicos, Fiji and to Harold Russell who is based in St. Lucia.

The Education Committee met in Guernsey on May 20-22nd, 1996 and the following individuals attended: Frank Janotta-Simons (Germany), Jean-François Viala (France), Janet Belkin (College of Insurance), Patrick Georgen (UNCTAD), Capitolina Turbina (Russia) and Steve Butterworth (Guernsey), Chair.

The Education Committee decided that they would ascertain their future work when the final version of the manual was available but had in mind to have the English version translated into several languages. Several countries have already agreed to undertake this task. The future possible developments are to convert the manual into a distance learning computer based course, again in the different languages, and to supplement this training by organizing training seminars in different geographical areas.

The Committee has had discussions with the International Insurance Foundation (IIF) which is a non-profit, educational foundation organized by the International Insurance Council (IIC) and whose members include international and United States insurers and reinsurers. The Executive Committee has agreed to consider accepting assistance from the IIF for education and training projects approved by the Committee.

A circular has been sent to all known insurance supervisory departments inquiring either whether they are willing to host trainees from other countries or whether they require other countries to host their own trainees. The result of the survey will be very useful in assessing where to institute training courses and in what languages.

The Committee is also hoping to foster exchange visits for the purpose of supervisory training and has already assisted the British Virgin Islands and Anguilla.

REPORT OF THE EMERGING MARKETS COMMITTEE

Mohsen Thabet (Tunisia) - Chair

The Emerging Markets Committee did not meet during the year.

REPORT OF THE DIRECTORY COMMITTEE

Dr. László Asztalos (Hungary) - Chair

The Directory Committee has worked out an extension of the last year Questionnaire during the present year, but it was found a little too detailed by the Executive Committee, so we did not distribute it and stopped with this work.

Due to the information of the Committee of the Future, this activity is going to be taken over by the Secretariat of the IAIS. We are ready to provide the Secretariat with our data and the necessary know how as well.

Report of the Exchange of Information Committee

Dr. Peter Braumüller (Austria) - Chair

Since the setting-up of the Committee right after the Baltimore Conference in June 1994 Nigel Bailey (British Virgin Islands) had been chairman of the Exchange of Information Committee. In spring 1995, he resigned as chairman and the Executive Committee appointed Peter Braumüller as successor. The Committee would like to thank Nigel Bailey for his efforts and his input to the committee which was a very active one from the beginning.

Since the 1995 Conference the Exchange-of-Information Committee has been composed of Peter Braumüller (Chair), Mónica Cáceres Ubilla, Juan Ignacio Gil Antón, Brian Atchinson and Capitolina Turbina.

The main event within the field of activities of the Committee was the Signing Ceremony of the Recommendation on Mutual Cooperation, Assistance, and Sharing of Information at the 1995 Conference in St. Louis. The preparatory work for this important step in the very first years of the IAIS was realized by both the Executive Committee and the Exchange-of-Information Committee. A draft text of the Recommendation was presented to the 1994 General Assembly where the final wording was adopted. Up to now, more than 60 member countries have signed the Recommendation. Nevertheless, the Exchange-of-Information Committee will continue to encourage all other members to become signatories.

The Recommendation called upon members to nominate one or two contact persons. A list of those contact persons was set up and has recently been updated. This list should considerably facilitate the exchange of information in practice.

During the 1995 Conference the question on exchange of information was also dealt with in a panel which underlined the growing importance of mutual cooperation in the field of insurance supervision, Brian Atchinson and Peter Braumüller, both members of the Committee, made presentations on the subject.

In connection with the Conference in St. Louis, a meeting took place between the Committee and the NAIC Alien and Licensing Confidentiality Working Group in which both committees described their respective work programs and discussed items of mutual interest.

In 1995, the Committee started the project of collecting information on the laws and regulations concerning exchange of information in the different IAIS member countries. The aim of this rather ambitious project is to prepare a report for the 1996 Conference including summaries of national legislation on exchange of information in all member countries which contributed to this work. The report should be a basis for discussion and a starting point for further facilitating the exchange of information among members.

Additionally, the Committee undertook work in drafting in a second questionnaire to find out how exchange of information has worked in practice. It is planned to finalize the questionnaire in 1996.

Further deliberations were made on the question whether a standardized form could be useful to aid members in the efficient performance of exchange of information. The Committee considered it useful to continue the work on this subject but to wait for the outcome of the two above projects before presenting any draft to membership.

The Committee will update its terms of reference and its workplan in its meetings during the 1996 Conference in Paris.

International Association of Insurance Supervisors

RECOMMENDATION CONCERNING MUTUAL ASSISTANCE, COOPERATION AND SHARING OF INFORMATION

Considering the increasing international activity in and inter-dependence of insurance markets;

Recognizing the need to enhance the supervision of the insurance industry and policyholder protection through both oversight of markets and business as well as through enforcement of national laws with respect to local and international business;

Recognizing the need of all members of the IAIS with responsibilities for internationalized insurance markets to obtain information on persons and entities located outside their territory;

Desiring to enhance existing and to develop new mechanisms for mutual cooperation and assistance among insurance regulators;

NOW THEREFORE the International Association of Insurance Supervisors (IAIS) hereby calls upon all insurance regulators;

(a) to the extent permitted by law, to provide assistance on a reciprocal basis to members of IAIS for the prudential supervision of the insurance industry and obtaining information and documents related to market oversight or protection of each other's markets against fraudulent insurance transactions;

(b) to consider, if necessary, the recommendation of legislation to their respective legislatures to implement assistance as described in paragraph (a);

(c) to ensure the timely processing of all requests for assistance and to designate a contact person for that purpose.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

Financial Statements for the Years Ended December 31, 1995 and 1994, and Independent Auditors' Report

Deloitte &
Touche LLP

Suite 400
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Kansas City, Missouri 64106-2232
Telephone: (816) 474-6180

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the
International Association of Insurance Supervisors

We have audited the accompanying statements of financial position of the International Association of Insurance Supervisors (the "IAIS") as of December 31, 1995 and 1994, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the IAIS's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the IAIS as of December 31, 1995 and 1994, and the results of its activities and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

February 9, 1996

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 1995 AND 1994

ASSETS	1995	1994
CASH AND CASH EQUIVALENTS	$ 177,135	$ 72,199
ACCOUNTS RECEIVABLE	15,600	11,200
TOTAL ASSETS	$ 192,735	$ 83,399

LIABILITY AND UNRESTRICTED NET ASSETS

LIABILITY - Accounts payable	$ 43,571	$ 10,461
UNRESTRICTED NET ASSETS	149,164	72,938
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	$ 192,735	$ 83,399

See notes to financial statements.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 1995 AND 1994

	1995	1994
UNRESTRICTED REVENUES:		
Membership fees	$ 89,000	$ 86,968
Meeting registration fees	56,000	36,300
Interest income	6,749	1,669
Newsletter subscriptions	225	
Total revenue	151,974	124,937
EXPENSES:		
Translation services	19,183	17,892
Meeting services	13,043	8,362
Supporting services:		
Administrative	26,261	12,554
Telephone	6,150	9,693
Travel and transportation	5,162	138
Postage and office supplies	3,243	1,197
Professional services	2,055	2,.163
Printing	651	
Total expenses	75,748	51,999
INCREASE IN NET ASSETS	76,226	72,938
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	72,938	
UNRESTRICTED NET ASSETS, END OF YEAR	$ 149,164	$ 72,938

See notes to financial statements.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

STATEMENTS OF CASH FLOW
YEARS ENDED DECEMBER 31, 1995 AND 1994

	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 76,226	$ 72,938
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Increase in accounts receivable	(4,400)	(11,200)
Increase in accounts payable	33,110	10,461
Net cash provided by operating activities	104,936	72,199
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	72,199	
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 177,135	$ 72,199

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1995 AND 1994

1. ORGANIZATION

The International Association of Insurance Supervisors (the "IAIS") is an organization of and for the international insurance supervisory officials. The IAIS provides an independent forum for these officials to promote cooperation among the members in carrying out their responsibilities and to enhance their ability to protect insurance policyholders and promote secure and efficient insurance markets.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes deposits in a checking account and an interest bearing money market account.

3. BASIS OF ACCOUNTING

Membership fees are recorded as revenues in the applicable membership year. Revenues and expenses for meetings are recorded when earned or incurred.

4. INCOME TAXES

The IAIS applied under section 501(c)(6) of the Internal Revenue Code for Federal Income tax exempt designation and received a favorable determination dated May 18, 1995.

5. RELATED PARTY

The National Association of Insurance Commissioners (the "NAIC") is a member of the IAIS. Under a Services Agreement between the NAIC and the IAIS, the NAIC provides certain administrative and consulting services to the IAIS. For the years ended December 31, 1995 and 1994, the total amount charged by the NAIC for administrative time was $26,261 and $12,554, respectively. As of December 31, 1995 and 1994, the IAIS had amounts payable of $28,563 and $8,381, respectively, to the NAIC for services rendered or expenses paid by the NAIC on behalf of the IAIS.

6. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

* * * * * *

International Association of Insurance Supervisors
1995 Members and Observers

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EL SALVADOR
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