

1999 Annual Report

International Association of
Insurance Supervisors

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INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

Contributing to world-wide financial stability

**The member insurance supervisors of the IAIS, drawn
from over 100 jurisdictions, resolve:**

**to cooperate together to ensure improved supervision of
the insurance industry on the 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;**

**to unite their efforts to develop practical standards for
supervision of insurance that members may choose to
apply;**

**to liaise or cooperate with other relevant international
entities;**

**to provide mutual assistance to safeguard the integrity of
markets;**

**and to exchange information on their respective
experiences in order to promote the development of
domestic insurance markets.**

✎ Taken from the Preamble of IAIS By-laws ✎

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Foreword

Established in 1994, the International Association of Insurance Supervisors (IAIS) represents insurance supervisory authorities of some 100 jurisdictions. It was formed to promote cooperation between insurance regulators and with regulators in other financial sectors. The IAIS develops principles and standards on insurance supervision and holds training seminars for insurance supervisors from emerging markets. In so doing, it seeks to help establish and maintain fair and efficient insurance markets for the benefit and protection of policyholders. The IAIS is led by an Executive Committee, with 9 to 15 members representing different regions of the globe. It is supported by a Secretariat located at the Bank for International Settlements in Basel, Switzerland. Since the end of last year, 40 institutions have applied to the IAIS for observer status.

Thanks to the work of a number of committees, subcommittees and working groups (see organisation chart), the IAIS has achieved remarkable results over the last few years. Since 1996, the IAIS has set principles, standards and guidance papers in the key areas of insurance supervision and regulation. Three new papers have been finalised this summer, - *Supervisory Standard on Group Coordination*, *Principles on the Supervision of Insurance Activities on the Internet* and *Guidance Paper for Fit and Proper Principles and their Application*. All three are expected to be adopted at the General Meeting in October 2000.

The IAIS is active in promoting the implementation of its supervisory standards through training activities. In the past year, the IAIS has been involved with several regional training seminars for supervisors in emerging markets. The IAIS has also developed textbooks and case studies on supervisory issues.

The IAIS contributes to assessments of jurisdictions' observance of standards in close collaboration with IMF and World Bank. In this regard the IAIS is revising the Insurance Core Principles, establishing the Insurance Core Principles Methodology, drafting a comprehensive self-assessment questionnaire and creating a list of qualified insurance experts to conduct assessments.

The IAIS collaborates closely with other international regulatory organisations. In particular, the IAIS plays an important role as one of the constituting bodies in the activities of the Joint Forum. The IAIS is represented on the Financial Stability Forum, set up at the beginning of 1999, and its Working Group on Incentives to Foster Implementation of Standards. It is also represented in the Multidisciplinary Working Group on Enhanced Disclosure. In addition, the IAIS has provided input to the International Accounting Standards Committee's work in establishing standards for insurance accounting.

Each year, the IAIS hosts an Annual Conference to encourage bilateral and multilateral discussions on topical issues for insurance supervisors. This conference is also open to participants from the insurance industry. The Sixth Annual Conference was held in San Francisco in December 1999 and the Seventh Annual Conference will be held in Cape Town on 10-12 October 2000.

Chairman's Report

The IAIS made considerable strides in 2000. Membership continued to increase. Since the 1999 Annual Conference in San Francisco, three additional jurisdictions have applied, bringing IAIS membership to over 100. With such broad global representation, the IAIS has truly established its position as the international insurance regulatory body.

At the General Meeting in December 1999, members voted to allow non-regulators to join the IAIS as observers. By July 2000 more than 40 institutions applied - insurance companies, insurance associations, accounting firms, consulting companies and law firms. Observers contributed to the IAIS activities in many ways, including providing useful input to documents through the consultation process, participating in seminars and training programmes, and assisting in reinforcing domestic insurance systems. At the Annual Conference in Cape Town, observers will organise a session for insurance supervisors and observers to discuss topical issues for insurance markets.

IAIS continues to develop principles and standards for insurance supervisors. Three new papers have been finalised this summer - *Principles on the Supervision of Insurance Activities on the Internet*, *Supervisory Standard on Group Coordination*, and *A Guidance Paper for Fit and Proper Principles and their Application*. It is expected that all three papers will be adopted at the General Meeting in Cape Town in October 2000.

In addition, the IAIS:

- finalised its response to the IASC's proposals for insurance accounting in June 2000;
- began work on principles on capital adequacy and solvency, (scheduled for completion in 2001);
- is drafting a standard on indirect supervision of reinsurance, (expected to be adopted at the 2001 General Meeting);
- is developing a standard on exchange of information based on the *G7 Ten Key Principles on Information Exchange*;
- is drafting *Principles on Enhanced Disclosure for Insurers*, (expected to be adopted at the 2001 General Meeting); and
- is contributing to the Multidisciplinary Working Group on Enhanced Disclosure. In particular, 13 insurance companies from 7 major insurance markets are participating in the pilot study.

The IAIS, in close cooperation with the IMF/World Bank, contributes to the assessment of jurisdictions' observance of standards. During the last year IMF/World Bank teams assessed observance of standards, including insurance, in 24 jurisdictions. To assist in the assessments, the IAIS revised the Core Principles and drafted the *Insurance Core Principles Methodology*. The IAIS is reinforcing its list of qualified insurance experts to conduct assessments. It is also developing a revised, comprehensive self-assessment questionnaire that IAIS members will be able to use to evaluate their regulatory and supervisory frameworks and capacity.

With a view to assisting the implementation of the *Insurance Core Principles*, the IAIS, in cooperation with national supervisory authorities and other international organisations, organised regional training seminars in Peru (for Latin America), in Poland (for Central and Eastern Europe) and in Belize (for off-shore jurisdictions). In addition, the IAIS develops textbooks and case studies for insurance supervisors to learn about standards and how to implement them. The first volume of case studies is available on the IAIS members' and observers' web site.

The trend towards financial conglomerates and convergence within the financial industry has increased the need for the IAIS to work with other international bodies and coordinate regulatory and supervisory structures. Close co-operation allows us to lever limited resources.

The IAIS is a member and contributes to the activities of the Financial Stability Forum (FSF). In March 2000 the IAIS circulated a paper to members of the Forum that provided an overview of the insurance industry and the potential vulnerabilities within it. The IAIS was also represented in the FSF's Working Group on Offshore Financial Centres and Task Force on Implementation of Standards, both of which produced their final reports in March 2000.

In collaboration with the Basel Committee and IOSCO, the IAIS contributes not only to general activities of the Joint Forum but also participates on its three Working Groups - Comparison of Core Principles; Corporate Governance and Transparency; and Risk Assessment and Capital.

Cooperation with the IMF and the World Bank has been greatly enhanced, particularly in the area of assessment of observance of principles. Representatives from the IMF and the World Bank regularly attended IAIS Task Force meetings on the Core Principles Methodology. With the aim of strengthening cooperation, the IAIS became an observer to the OECD Insurance Committee in May 2000. In addition, the IAIS has worked closely with UNCTAD and International Insurance Foundation (IIF) to organise training seminars for emerging economies.

Cooperation with the World Trade Organisation (WTO) Secretariat has just begun. The IAIS will reinforce communication with the WTO Secretariat, in particular with regard to national regulation.

Last year the IAIS carried out a comparative study of the insurance systems of 90 jurisdictions. Based on that work, the IAIS is developing a database of insurance regulation and supervision. It is also establishing database for reinsurance companies. By 2001, members and observers will be able to find comprehensive regulatory and supervisory information through the IAIS web site.

All the achievements mentioned in this report are the result of the constant hard work by IAIS members, observers and the Secretariat. I thank all of them. I am particularly grateful to Arend Vermaat, the Vice Chair of the Executive Committee, and the other members of Executive Committee who always encourage and support me in my leadership role. I would like to express my sincere gratitude to the Bank for International Settlements for supporting the IAIS Secretariat by providing administrative staff and an efficient working environment. I am grateful to the Japanese Government for providing a secondees to our Secretariat's office in Basel.

There are increasing expectations placed on the IAIS to develop and foster jurisdictions' implementation of standards so that policyholders will be protected and global financial stability may be fostered. I believe that we have the momentum and energy to meet these challenges, and I appreciate your support for IAIS and its activities.

Hanley Clark
Chairman of the Executive Committee

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(9 December 1999)

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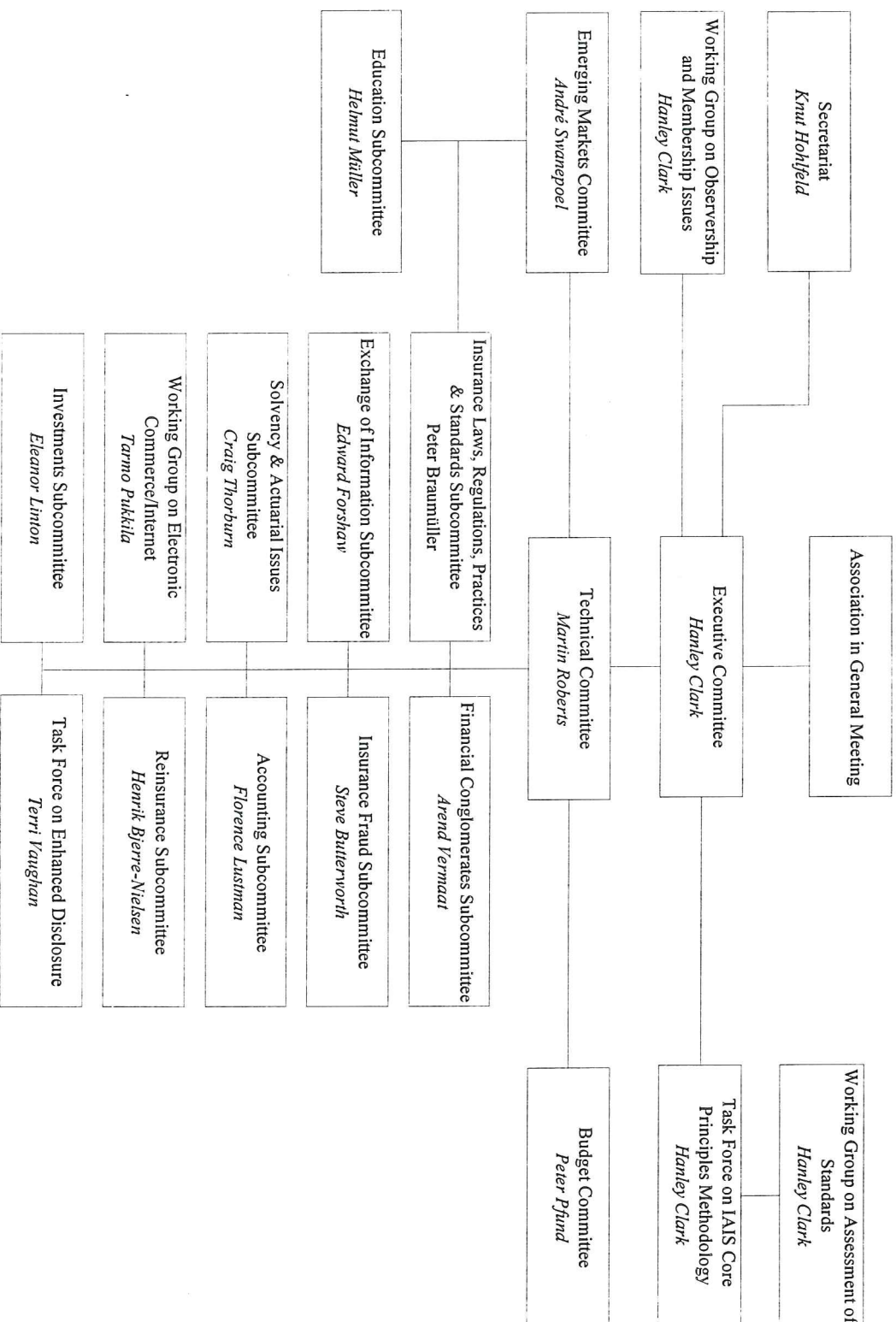
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IAIS Organisation Chart



Reports of Committees

Executive Committee

The Executive Committee held meetings in San Francisco at the 1999 Annual Conference, in Lima (March 2000) and in Basel (June 2000).

One of the main issues the Executive Committee has been dealing with is the integration of observers into the IAIS. At the General Meeting during the 1999 Annual Conference, members agreed to open the IAIS to the insurance industry by inviting those interested in contributing to the work of the IAIS, to apply for observership. By July 2000, more than 40 insurance companies, insurance associations, auditing firms, consultants, law firms and others had applied. These observers appear keen to be involved in the IAIS's work. The Executive Committee, through a small working group, is currently examining how this can best be achieved without altering the IAIS objective to be an international standard setting supervisory and regulatory body.

The Executive Committee also focused on the development of the IAIS Core Principles Methodology. A Task Force, with broad participation from the membership, developed the Methodology. The Executive Committee adopted the Methodology at its meeting in June 2000; it will be submitted to members for adoption at the General Meeting in Cape Town in October 2000. Using the Methodology, a self-assessment questionnaire is being developed to help IAIS members assess their compliance with the IAIS Core Principles.

The Chairmen of the IAIS, IOSCO and the Basel Committee met in the Coordination Group in New York in December 1999 and in Paris in May 2000 to discuss issues of common concern, including the future work of the Joint Forum. Of special importance was the agreement on a new mandate for the Joint Forum. The new mandate broadens the targets of the Joint Forum, beyond issues relating only to financial conglomerates, to issues of common concern relating particularly to risk management and capital, corporate governance, and comparison of the Core Principles of the three sectors.

As Chairman of the Executive Committee, I attended the meeting of the Financial Stability Forum (FSF) in Singapore in March 2000. The FSF includes representatives of the G7 and selected other countries, international institutions (e.g., IMF, World Bank and OECD), as well as the IAIS, the Basel Committee and IOSCO. The meeting searched for ways to improve financial stability. Since several members of the FSF had raised significant concerns regarding insurance, a small group of IAIS experts prepared a study paper on insurance, which I presented to the FSF at its meeting in Singapore. The paper reviewed recent developments in the insurance sector and the potential vulnerabilities within the insurance industry. It was well received by the FSF. At its next meeting in Basel in September 2000, I will report on the progress the IAIS has achieved concerning the gaps in supervisory standards that were identified in the study paper.

The Financial Services Board of South Africa will host the Seventh Annual Conference of the IAIS in Cape Town in October 2000. A very interesting programme has been prepared and it is expected that the success of preceding IAIS Annual Conferences will be repeated.

The past year has been a successful one, but again also a very busy one for the IAIS and its Executive Committee. The success was due to all members of the Committee working so diligently and investing a great deal of time in the work of the IAIS. I would like to thank them all for the great support they have given.

Hanley Clark, USA
Chair of Executive Committee

Task Force on IAIS Core Principles Methodology

The Task Force on IAIS Core Principles Methodology was established in March 1999 by the decision of the Executive Committee. Between its first meeting in June 1999 and June 2000, the Task Force held six meetings. It has prepared the following papers for presentation to the Annual Conference in October 2000 for approval:

- *Revised Insurance Core Principles*; and
- *Insurance Core Principles Methodology*.

In addition, at the request of the Financial Stability Forum, a small group composed of some Task Force members produced a report on insurance issues and developments. The paper reviewed recent developments in the insurance industry, gaps in the supervisory system, the interrelationship between the insurance industry and other financial industries, potential vulnerabilities within the industry, and the scope for systemic risk.

Background of the establishment of the Task Force

As a result of the need to ensure protection of policyholders and of heightened international concern about financial stability, supervisors in all financial sectors are under pressure to ensure effective supervision. In particular, as the insurance industry becomes more international and the differentiation between insurance and other financial business becomes increasingly blurred, all jurisdictions are being urged to adopt and implement effective insurance supervisory methods in order to maintain sound insurance systems and, as a consequence, to ensure sound global financial markets. The process of implementing the *Insurance Core Principles* starts with an assessment of a jurisdiction's observance of the Principles. In 1999, however, the Principles were "bare-bone" and further elaboration was necessary in order to ensure that the assessment of observance would be carried out properly. Thus the IAIS created a task force to address this situation.

The mandate of the Task Force was to:

- review comprehensively the current *IAIS Supervisory Principles*;
- create methodology for monitoring the implementation of the *IAIS Supervisory Principles* by enumerating significant criteria of insurance supervision;
- propose the best use of the methodology, in particular, with regard to the conduct of an assessment and the compilation and presentation of the results; and
- update the methodology according to regulatory needs and development.

Revised Insurance Core Principles

The Task Force updated the 1997 Insurance Supervisory Principles (Insurance Core Principles) to incorporate new principles that had been adopted in separate documents and to add a section on the organisation of a supervisory office. A more comprehensive review of the Insurance Core Principles may be carried out by the Technical Committee in the near future.

Insurance Core Principles Methodology

The Task Force produced the *Insurance Core Principles Methodology*. This document provides criteria to facilitate assessments that are comprehensive, precise and consistent. In

particular it will help

- IAIS members to carry out self-assessments or peer reviews; and
- IMF/World Bank to conduct independent assessments.

The IAIS is expected to cooperate closely with the IMF and World Bank in their assessments of jurisdictions' observance of *IAIS Core Principles*. A small working group was created under the Task Force to discuss the role of the IAIS in the assessment process; it will cooperate with the IMF and World Bank. The Task Force is also developing a comprehensive self-assessment questionnaire that will be completed by the end of this year.

Hanley Clark, USA

Technical Committee

The Technical Committee's mandate requires it to review major issues related to insurance supervision and regulation and co-ordinate practical responses. In this role the Committee continues to develop principles and standards on insurance supervision to augment those that have already been approved by the membership. It may also produce guidance papers on particular supervisory issues.

At the Sixth Annual Meeting of the Association held in San Francisco in December 1999, three papers were presented to the membership and approved. These were:

- *Principles for the Conduct of Insurance Business.*
- *Principles Applicable to the Supervision of International Insurers and Insurance Groups and their Cross-Border Business Operations.*
- *Supervisory Standard on Asset Management by Insurance Companies.*

The adoption of these papers marked a further stage in the development of a comprehensive set of Principles and Standards covering the full range of insurance supervisory activity. They also marked a fitting culmination to the work of Jarl Symreng (Sweden) as Chairman of the Technical Committee. Under Jarl's guidance the Technical Committee and its Subcommittees have also pursued some critical work that will form the basis for developing of future IAIS Principles and Standards. Happily, although he has relinquished the role of Chairman of the Technical Committee, Jarl has gone on to become the Chairman of the Joint Forum, so his close involvement with the work of the IAIS will continue.

During the meeting of the Technical Committee held in conjunction with the Annual Conference in San Francisco, the membership elected Bruno Bézard from the French Ministry of the Economy, Finance and Industry to become its new Chairman. Unfortunately, Bruno was almost immediately invited to take up a new post within his Ministry and had to stand down from the Chairmanship and the Committee. The valuable contribution that Bruno made to the work of the Committee was clearly recognised in his election as Chairman, and it is a matter of regret that he did not have the opportunity to guide the work of the Committee in this role.

In addition to its meeting in San Francisco, the Technical Committee has, to date, met twice in 2000: in Lima (31 March), when I was elected the Committee's new Chairman, and in Basel (22 June). The Committee will also meet in South Africa before the Annual Conference.

Three further papers, resulting from the work of the Committee and its Subcommittees over the year, are tabled for the approval of the membership at the Annual Meeting in Cape Town. These are:

- *Principles on the Supervision of Insurance Activities on the Internet.* This paper proposes an environment for the supervision of insurance activities on the Internet that aims to ensure that relevant information is available to consumers, insurers and insurance supervisors. It elaborates on three simple principles for dealing with such activities covering consistency of approach, transparency and disclosure, and effective supervision of Internet activities based on cooperation.
- *Supervisory Standard on Group Coordination.* This Standard builds on the significant body of work on the supervision of financial conglomerates produced by the Joint Forum. In particular, the Standard develops the Joint Forum's principles relating to coordination and information sharing between supervisors with respect to international insurance groups

and other international financial groups with a significant involvement in insurance activities. Given the growth of such groups, this Standard is likely to act as an important foundation for future supervisory cooperation.

- *A Guidance Paper on Fit and Proper Principles and their Application.* This is again a development of work produced by the Joint Forum, adapting their paper on Fit and Proper Principles for use in the insurance context. The guidance can be applied in respect of both corporate bodies and individuals, and to a variety of insurance entities subject to regulation (insurers, reinsurers and insurance intermediaries). Its objective is to ensure that all insurance entities are soundly and prudently managed, and that those in key positions do not pose a risk to policyholders.

Whilst the range of IAIS Principles and Standards continues to grow, there are some fundamental issues still to be addressed, - such as a capital adequacy standard for insurers and the approach to reinsurance supervision. These matters, along with many other important topics are being considered in the work of the Subcommittees of the Technical Committee. A brief résumé of some of the work pursued over the year is given below. More comprehensive information is contained in the detailed reports of the individual Subcommittees.

- Insurance supervision has to be founded on appropriate accounting rules. The **Accounting Subcommittee** has produced an IAIS response to the International Accounting Standards Committee's (IASC) Issues Paper on accounting standards for insurance. This is the first stage in a longer IASC process aimed at developing insurance accounting standards, to which the IAIS will contribute actively.
- In addition to finalising work on the Principles paper referred to above, the **Electronic Commerce/Internet Working Group** is reviewing its earlier paper *The Supervision of Insurance Activities on the Internet and Other Electronic Media: Issues for Supervisors* in the light of developments in this fast moving area.
- The **Exchange of Information Subcommittee** is working on a draft standard on information sharing, and in liaison with the Reinsurance Subcommittee has drawn up proposals for a database on reinsurers. The hope is to establish this database next year.
- The **Financial Conglomerates Subcommittee** continues to be the link between the IAIS and the work of the Joint Forum (see below). The Subcommittee's work over the year has focussed on producing the *Supervisory Standard on Group Coordination*.
- In addition to developing the Guidance Paper on Fit and Proper Principles and their Application, the **Insurance Fraud Subcommittee** is working on the question of money laundering with a view to producing IAIS standards in this area.
- The **Insurance Laws, Regulations, Practices and Standards Subcommittee** has commenced work on a new questionnaire regarding insurance laws and practices. Subject to possible budgetary constraints, the objective is to create an IAIS database covering member jurisdictions. This would, among other things, prove a useful resource for those considering amending or updating their insurance laws or practices.
- The **Investments Subcommittee** is involved in a two-year project to consider market risk, and in particular to provide a more in-depth examination of the associated risk management practices. An issues paper will be produced setting out how insurers might identify and analyse their risk profile, and the procedures and practices they should adopt to monitor and control the components of market risk.
- The **Reinsurance Subcommittee** is considering both the direct and indirect supervision of reinsurers. The Subcommittee is aiming to produce a first draft of a standard on the indirect supervision of reinsurance for 2001. A sub-group of the Reinsurance Subcommittee will also be pursuing the issue of securitisation.

- The **Solvency Subcommittee** is building on the work undertaken in producing the Issues Paper on Solvency (which has been posted on the IAIS web site), and conducting further analysis with a view to producing a statement of principles on solvency.
- The **Task Force on Enhanced Disclosure** is working on the production of principles on enhancing insurance transparency. The Task Force has already completed work that, from an insurance perspective, greatly improves the template for risk disclosure produced by the Multidisciplinary Working Group on Enhanced Disclosure.

It is also the Technical Committee's role to liaise with other international bodies on matters of mutual concern in the effective regulation and supervision of financial services. One such body is the Multidisciplinary Working Group on Enhanced Disclosure referred to above. The object of this Working Group is to assess the feasibility and utility of enhanced public disclosure by financial intermediaries.

Through the IAIS's participation in the Joint Forum, the Association is involved in discussions on a number of cross-sectoral financial supervisory matters. Three Working Groups of the Joint Forum have been created:

- Working Group 1 is undertaking a comparison of the Core Principles of the IAIS, IOSCO, and the Basel Committee on Banking Supervision. This Group is chaired by Richard Diggory (UK) as an IAIS representative.
- Working Group 2 is considering corporate governance and transparency. This will include work on the transparency of conglomerate structures; the use of the audit process as a supervisory tool; and outsourcing.
- Working Group 3 is examining risk assessment and capital in the three sectors. This will include the topics of risk assessments and management, internal controls, and a comparison of the purposes and approaches to capital requirements (including the definition of capital) across all three sectors.

The three Working Groups will not complete their deliberations until 2001. In addition to discussions within the Working Groups and the Joint Forum proper, cross-sectoral issues are also considered in the Coordination Group which consists of the three Chairmen of the IAIS and IOSCO Technical Committees and the Basel Committee on Banking Supervision together with their respective Secretaries General. This Group meets three times a year.

Two Joint Forum papers on the supervision of financial conglomerates, supplementing those previously approved, will be tabled at the Annual Meeting in Cape Town. These are entitled *Intra-Group Transactions and Exposures Principles* and *Risk Concentration Principles*.

Martin Roberts, United Kingdom

Emerging Markets Committee

The Emerging Markets Committee has two subcommittees – the Education Subcommittee and the Insurance Laws, Regulations, Practices and Standards Subcommittee. Both these subcommittees report separately.

The Committee encourages emerging markets to establish sound regulatory systems by providing guidance, supervisory manuals and training programmes; supporting supervisory authorities with advice; and encouraging the exchange of information on insurance regulation and supervision issues.

To this end, the Committee has:

- held training seminars in various regions in the world;
- prepared textbooks on licensing and on-site inspections;
- developed case studies;
- begun developing a database of training seminars and training experts; and
- used the web site as a training tool.

More details are contained in the report of the Education Subcommittee.

Cooperation with the World Bank, the International Insurance Foundation, OECD, UNCTAD and the Asian Development Bank is now well established.

These organisations are taking a keen interest in developments in the emerging markets, and their financial assistance and other efforts are truly appreciated.

The Committee plans to develop a guidance paper on the organisation of a supervisory authority, as well as a Model Law. These papers should be a great assistance to supervisors in emerging market countries.

Emerging market countries face many challenges. In particular, they are expected to comply with the Insurance Core Principles and related Methodology. It is hoped that, with growing peer pressure, more and more countries will strive to improve their supervisory regimes.

André Swanepoel, South Africa

Budget Committee

The Committee held its meetings on 30 June 1999 in Basel, on 6 December 1999 in San Francisco, and on 20 June 2000, again in Basel.

At the June 1999 meeting, the Committee was made aware of the new BIS pension scheme, which is also of significance for the IAIS. It could result in additional annual charges for the IAIS, as the employer, in the order of US\$16,000. The BIS also introduced a new savings scheme that would give rise to further charges of approximately US\$6,000. The Committee decided that, in the light of the good salaries, these additional charges should be paid by the staff members who benefit from these schemes, despite the fact the BIS pays for these additional contributions for its employees.

The Committee also discussed the budget for 2000. In 2000, membership contributions were increased to US\$5,000, as announced at the Annual General Meeting in Cancùn. Recognising that US\$5,000 represents a significant cost for some members, the Committee does not anticipate making further increases over the next few years. The draft budget was approved, and the Committee recommended that KPMG be the auditors for the 1999 financial year.

At the December 1999 meeting, the Committee noted that the loss predicted for 1999 would not come about if the exchange rate developed favourably for the U.S. dollar. The unaltered budget for 2000 was formally adopted for the attention of the Executive Committee. The Committee also resolved that the brochure entitled *Insurance Laws, Regulation and Practices*, prepared by the Insurance Laws Subcommittee, would be issued to IAIS members free of charge. The Committee discussed differentiating membership contributions according to GDP, but it rejected that idea. It was also noted with regret that John Thompson was leaving. At the Annual General Meeting, the 1998 year-end accounts were adopted, and authorisation was given concerning the choice of KPMG as the auditors for the 1999 financial year as well as the 2000 budget.

In June 2000, the Committee discussed the 1999 year-end accounts, that had been audited for the first time solely in accordance with Swiss regulations, and showed a surplus of around US\$145,000. It was noted that, given some additional members and, recently, some observers, a much larger than projected surplus for the year 2000 might be recorded. For 2001, the membership contribution is to remain unchanged, at US\$5,000.

Peter Pfund, Switzerland

Financial Conglomerates Subcommittee

The Financial Conglomerates Subcommittee deals with issues of international insurance groups and financial conglomerates. In particular it provides input to the Joint Forum.

The Joint Forum has 27 members, with 9 from each of the IAIS, IOSCO and the Basel Committee. Currently Jarl Symreng from Sweden is the Chairman. The IAIS Joint Forum members (or their deputies) are members of the Financial Conglomerates Subcommittee – Australia, Canada, France, Germany, Japan, the Netherlands, Sweden, the United Kingdom and the United States. In addition to meetings of the full Subcommittee, the IAIS members of the Joint Forum get together before meetings, most recently in Berlin (November 1999), Basel (March 2000) and Visby (July 2000).

During this period, the Joint Forum finalised two new papers – *Intra Group Transactions and Exposures Principles*, and *Risk Concentration Principles*. The three parent organisations also agreed to a new mandate for the Joint Forum, whereby it will discuss issues of common concern as well as issues affecting financial conglomerates. In this regard, the Joint Forum established three working groups:

- Comparison of the core principles for the three financial sectors;
- Corporate governance and transparency; and
- Risk management and capital requirements.

The Subcommittee finalised a paper, *Supervisory Standard on Group Coordination*, which was accepted by the Technical Committee and the Executive Committee for endorsement at the General Meeting in Cape Town (October 2000).

In addition, the Subcommittee:

- held meetings in San Francisco (December 1999), Lima (April 2000) and Basel (June 2000);
- provided input on the final versions of the endorsed Joint Forum papers;
- prepared IAIS representatives for meetings of the Coordination Group (made up of representatives from the three parent organisations and the Joint Forum); and
- began writing a guidance paper for the supervision of international insurance groups and international financial conglomerates that are significantly involved in insurance activities.

Arend Vermaat, Netherlands

Insurance Laws, Regulations, Practices and Standards Subcommittee

The Insurance Laws Subcommittee collects, summarises, analyses and makes available information on insurance laws, regulations and practices in IAIS member countries, as well as on directives, regulations, recommendations and model laws that apply across jurisdictions. The Subcommittee includes members from Austria, Bulgaria, European Commission, Germany, Hungary, Malta, Netherlands, Netherlands Antilles, Norway, OECD, Poland, Russia, Spain, Sweden, Switzerland, United Kingdom, and United States.

In 1999 interest was expressed in the Subcommittee preparing an analytical report on insurance laws, regulations and practices worldwide. This project was based on the results of a comprehensive questionnaire covering the most important areas of insurance supervision. The interest resulted from the presentation of the interim report at the Fifth Annual Conference in Cancun in 1998 and the involvement of the IAIS in regional training seminars in which several supervisory authorities from non-member jurisdictions participated.

The Subcommittee was asked to present its work at the OECD Conference in Singapore on 1 and 2 February 1999 and at the 15th Conference of European Insurance Supervisory Services in Warsaw from 26 to 28 May 1999. Supervisors who participated in the conferences and who were not members of the IAIS were asked to respond to the questionnaire, thus increasing the total number of respondents by seven. For the Warsaw Conference, the Subcommittee chairman prepared a document outlining the main characteristics of the insurance supervisory systems in the central and eastern European countries.

The Subcommittee met in Vienna on 8 and 9 July 1999 and in Malta on 9 and 10 September 1999 to prepare the final report. At the IAIS Committee meetings in Tokyo from 29 September to 1 October 1999, the Subcommittee presented a draft final report to the members of the Technical Committee and the Emerging Markets Committee.

At the Sixth Annual Conference held in San Francisco in December 1999 the final 'Report on Insurance Laws, Regulations and Practices in IAIS Member Jurisdictions' was presented and distributed to all members. Although the interim report included the answers of 63 jurisdictions, the final report was based on 89 replies to the questionnaire. This large sample provides a reliable overview of insurance regulations and practices worldwide. By including several non-member countries in the exercise, the work of the Subcommittee and the IAIS is now better known, and we have learned more about insurance regulation in emerging markets.

The Subcommittee prepared a new work plan for the meetings of the Technical Committee and the Emerging Markets Committee held in San Francisco in December 1999. Both parent committees agreed to this new work plan. Accordingly, the Subcommittee will in future follow a two-track approach:

- establishing a permanent database on insurance laws, regulations and practices that would be accessible to all members through the IAIS web site; and
- continuing the analysis and comparison of the insurance supervisory systems worldwide.

This will include reports on general developments as well as studies and research on specific issues.

On 18 and 19 May 2000 the Subcommittee met in Berlin to work on the database and to start

the revision of the 1998 questionnaire. The Committee agreed on a detailed work programme for 2000/2001. The Committee will work out a revised questionnaire that should serve as a basis for the insurance laws database. The questionnaire should be finalised at the beginning of 2001. After approval of the budget, the technical realisation of the database should start right after the Seventh Annual Conference and be finalised by March 2001. The IAIS members would then be asked to fill in the revised questionnaire and thus build up the database. In the third quarter of 2001, the database should be fully operational.

In June 2000 the Chairman presented the database project during the meetings of the parent committees in Basel. He described the project, outlining:

- the main purpose and value added for the users;
- the interrelation and coordination with other database projects;
- the use of the database for data input; and
- anticipated information requests.

His proposals also included the technical aspects of the project, cost and a time schedule.

Peter Braumüller, Austria

Exchange of Information Subcommittee

During 1999-2000 the Exchange of Information Subcommittee continued to work on a number of initiatives aimed at facilitating the exchange of information among IAIS members.

The Subcommittee has been asked by the Technical Committee to draft a standard for information exchange based on the *G7 Ten Key Principles on Information Exchange*. In advance of this, and pending the conclusion of discussions within the U.S. and the European Union on how the *Ten Key Principles* relate to U.S. state insurance law and the European insurance directives respectively, the Subcommittee was asked to consider the compatibility of the existing IAIS principles, standards and guidance papers with the *Ten Key Principles*.

The Subcommittee's report on this issue was considered at the Technical Committee's December 1999 meeting. The report concluded that the IAIS material was for the most part, consistent with the *Ten Key Principles*, and that where differences existed they were essentially in tone and emphasis. The Technical Committee approved the Subcommittee's report and reaffirmed that it still wished the Subcommittee to pursue the possibility of a specific standard on information exchange.

The *Ten Key Principles* concern themselves not just with exchange of information within the insurance sector, but with exchanges across financial services sectors. In this respect, the Financial Conglomerates Subcommittee has suggested that the Exchange of Information Subcommittee might consider the practicality and usefulness of preparing a model Memorandum of Understanding for the exchange of information between supervisors in different financial sectors.

A second element of the Subcommittee's current work programme is to consider the particular problems that may exist in the exchange of information in the reinsurance sector. In liaison with the Reinsurance Subcommittee, the Exchange of Information Subcommittee has been looking at the scope for, and practicality of, creating a database of reinsurers. Following papers produced by colleagues from Mexico and Switzerland, a project specification for a database has been written and agreed by both Subcommittees. Subject to the necessary resources being available and approved, it is proposed to make accessible to insurance supervisors through this database certain core information on reinsurers, and details of the nature of reinsurance supervision in the jurisdiction in which they are based. The database would be connected to the main IAIS web site, and – with the agreement of their owners – to external databases that might contain more detailed information.

The Exchange of Information Subcommittee also has in its work programme to consider the practicality, and added value, of producing a Convention on information exchange to which IAIS members could accede. A similar proposal, restricted to reinsurance, is currently being debated in the OECD Insurance Committee. The Exchange of Information Committee is represented on the relevant OECD Task Force drawing up that organisation's proposals.

Finally, the Subcommittee is intending to consider, with the Insurance Fraud Subcommittee, what useful initiatives might be taken to improve communications in this area. A joint meeting of the two Subcommittees is planned for Cape Town.

Edward Forshaw, United Kingdom

Insurance Fraud Subcommittee

The Insurance Fraud Subcommittee includes members from Canada, Cayman Islands, Egypt, Germany, Hungary, Netherlands, Poland, Singapore, Russia, South Africa, Switzerland, United Kingdom and U.S.A. The Subcommittee has identified four aspects of insurance fraud to address:

- insurer fraud (i.e., fraud by the insurance company);
- claims and consumer-related insurance fraud (i.e., fraud on the insurance company);
- money laundering, which could occur in both the previous categories; and
- fit and proper (integrity, competency and solvency) aspects.

The IFS first concentrated on insurer fraud and in 1998 presented several recommendations to the Technical Committee, including that:

- supervisors should have the power to monitor the activities of reinsurers and intermediaries and to intervene when necessary;
- each member keep current a published list of reinsurers established in the member's jurisdiction; and
- the committee consider investigating enforcement procedures in member jurisdictions.

The recommendations were accepted by the Technical Committee, and the Subcommittee is currently monitoring implementation as the recommendations are dealt with by other Subcommittees.

The Subcommittee drafted a paper, *A Guidance Paper for Fit and Proper Principles and Their Application*. The paper, available on the IAIS web site, extends the fit and proper guidelines of the Joint Forum to include insurance groups and insurance entities. It also provides suggestions on how to apply the principles to individuals who are in a position to influence an insurance entity. The paper has been presented to the Technical Committee which has recommended it for adoption by IAIS members at the September 2000 Annual General Meeting.

This year, the Subcommittee began working directly on claims fraud and money laundering issues. A claims fraud questionnaire was sent to all members. The results of the questionnaire revealed some interesting methods that insurance supervisors and the insurance industry use to combat claims fraud. These were explored in a panel at the 1999 Annual Conference in San Francisco.

The Subcommittee hopes to finalise its paper on money laundering during the coming year. A draft of the paper is available on the IAIS web site. The Subcommittee sent a money laundering questionnaire to IAIS members, and the results will determine whether any further work on this topic is needed.

The Subcommittee believes that insurance fraud can be combated by encouraging cooperation among the insurance supervisors, the insurance industry and the appropriate law enforcement officers. In most parts of the world, this cooperation is not particularly evident. As a result, the Subcommittee, with the support of both the Association of British Insurers and the U.K. Association of Chief Police Officers and the International Association of Insurance Fraud Agencies has organised a "Tripartite Fraud Conference" in Guernsey scheduled for

21 and 22 September 2000.

Eventually the Subcommittee hopes to be able to assist in coordinating the fight against international insurance fraud. It has already circulated a list of names to IAIS members to ascertain whether any other international activity was evident in the well-publicised Liberty Re/Frankel case.

The Subcommittee considered that it could adopt, in its entirety, the paper from the G7 Finance Ministers' Working Group on Financial Crime entitled, *Ten Key Principles for the Improvement of International Co-operation Regarding Financial Crime and Regulatory Abuse*. There is a planned joint meeting with the Exchange of Information Subcommittee to work further in this area.

The Subcommittee is also monitoring developments on types of viatical fraud which are currently prevalent in U.S.A.

We welcome additional members and encourage constructive suggestions about our current and future work both from IAIS members and from other interested parties.

Steve Butterworth, Guernsey

Solvency and Actuarial Issues Subcommittee

Solvency requirements, solvency assessment and related issues remain a critical (if not the most critical) element of supervision of insurance undertakings throughout the world. As a result, it is not surprising that members and outside organisations have high expectations about the work of the IAIS Solvency Subcommittee.

This year, with the interest expressed by the Financial Stability Forum and Joint Forum in particular, the sense of urgency is even greater. The World Bank is also encouraging the IAIS to make rapid progress toward solvency standards.

It is not easy to establish a solvency regime or standard for general application across many jurisdictions. The issues are complex and technical, and each jurisdiction has particular "environmental issues" to be taken into account for the solvency regime to be effective.

The first milestone in the Subcommittee's work was the completion, in late 1999, of an issues paper on solvency and solvency assessment. The paper covers a wide range of issues, discusses the risks that affect an insurance operation, considers methods and priorities for companies and supervisors to assess risk, and investigates practices in several of the larger insurance markets. I commend the paper to members and welcome comments. You can find the paper on the IAIS web site.

After completing the issues paper, the Subcommittee sought a fresh mandate from the Technical Committee. It calls for:

- A deeper and broader survey of solvency practices in various jurisdictions: the goal of this survey is to obtain detailed information on the solvency arrangements from all regions represented by the membership of the IAIS. The Subcommittee will then prepare a summary of solvency regimes for the IAIS members and observers;
- The development of a statement of principles as to the components of a solvency regime. This document will provide members the opportunity to discuss solvency regimes in terms of principles and qualitative requirements. The principles will serve as the basis for further work.
- A statement of the similarities and differences between some existing insurance regime(s) and the banking regime. This work will help us better understand the areas of commonality and support our involvement in the Joint Forum, particularly on Working Group 3 on Risk Management and Capital; and
- A standard or standards of practice on the components of a solvency regime. Subsequent to the development of principles and the completion of the survey, work will commence on individual standards.

The Subcommittee is also responsible for:

- coordinating IAIS technical issues relating to the Joint Forum Working Group 3;
- monitoring developments in all issues related to solvency and solvency assessment of insurance companies, and other actuarial issues relevant for insurance supervision;
- cooperating with the other subcommittees within the IAIS, particularly the Accounting Subcommittee and the Investment Subcommittee; and
- liaising with the Insurance Regulations Subcommittee of the International Actuarial Association (IAA).

This workplan, while demanding, is appropriate given the importance attached to solvency both within and outside the IAIS. The Subcommittee has continued to work diligently since the issues paper was released and is now developing the principles paper and the survey. We are fortunate to have a core of members with strong experience and commitment. At the same time, we welcome additional contributors and I invite any interested jurisdictions to contact me directly if you wish to discuss the work of the Subcommittee.

Finally, I would like to express our gratitude to the past-Chair, Per Simonsen of Norway. The Subcommittee is indebted to Mr Simonsen and his colleagues in Norway who have done a great deal of work. In particular, the production of the issues paper would not have been possible without his leadership.

Craig Thorburn, Australia

Investments Subcommittee

At the General Meeting in San Francisco in December 1999, the Investments Subcommittee's *Supervisory Standard on Asset Management* was adopted. At that time the Technical Committee approved a new mandate for the Subcommittee. It is to:

- Survey supervisory practices with respect to:
 - market risk in insurance; and
 - work on this topic done by other international standard setting organisations;
- Prepare an issues paper that:
 - identifies current supervisory practice and the related supervisory issues arising; and
 - examines the feasibility of developing an IAIS standard on market risk;
- Cooperate closely with the IAIS Subcommittee on Solvency and Actuarial Issues; and
- Cooperate with other relevant international entities and working groups.

During the year the membership of the Investments Subcommittee has expanded, with representatives currently from Denmark, France, Germany, Japan, the Netherlands, South Africa, Sweden, Switzerland and the United Kingdom. The Subcommittee met in Apeldoorn (February 2000) and Basel (June 2000).

To underpin its work, the Subcommittee proposes a review of the following:

- Methodologies by which insurers identify and analyse their risk profile as a prerequisite to the development of their investment policies, including the use of techniques for asset/liability matching, stress testing and value at risk analysis;
- Procedures and practices adopted by insurers to manage and control the components of market risk (e.g., interest rate, equity movements, currency, liquidity risks). Credit risk will also be covered, to the extent that it is directly connected with investment activities and therefore forms part of the management of market risk;
- Product policy and the influence that this has on the investment strategy;
- Methods by which supervisory authorities satisfy themselves and monitor the adoption of prudent risk management techniques by insurers; and
- Systems and control requirements relating to the organisation of market risk management, operational risk and decision-making procedures.

The first task is to research existing market risk practices used by both supervisory authorities and insurers themselves. Accordingly, in the autumn of 2000, the Subcommittee will circulate a questionnaire to IAIS Technical Committee members, with an introductory paper setting the survey in context and outlining the Subcommittee's initial view on market risk.

Eleanor Linton, United Kingdom

Accounting Subcommittee

The IAIS set up a Subcommittee on accounting issues in 1997 in order to liaise with the International Accounting Standards Committee (IASC). The Subcommittee met in Tokyo (September 1999), in Paris (March 2000) and again in Paris (May 2000). Its main priority was to comment on the IASC issues paper on insurance that was published in December 1999.

In January and March, the members of the Subcommittee went through this voluminous document and met twice to draft the IAIS comments. The Technical Committee reviewed the comment letter at its June meeting in Basle. It was sent to the IASC in July.

The IASC Steering Committee will take into consideration all the comments received when developing its Draft Statement of Principles. This document will be released for further public comment. In addition, the IASC Steering Committee will publish an Exposure Draft for public comment in 2001. The IASC final standard will not be issued before 2002 or 2003.

Florence Lustman, France

Education Subcommittee

The Education Subcommittee has contributed to organising regional training seminars and improving training materials and infrastructure. The IAIS, in collaboration with other national and international bodies, has organised three training seminars since December 1999 and provided assistance for three others. It has also made case studies available to members and will publish a textbook on licensing by the time of the Annual Conference in October 2000.

Training seminars

Peru

The Association of Insurance Supervisors of Latin America (ASSAL)/IAIS/OECD organised a training seminar in Lima on 27-29 March 2000 hosted by the Peruvian banking and insurance supervisory authority. Eighty insurance experts from around the world attended, including supervisory authorities from forty-one countries, as well as representatives from four international organisations and from several private insurance companies, rating agencies and accounting firms. The organisers made an effort to:

- broaden the participation;
- provide all written material in two languages (English and Spanish); and
- provide support for countries without sufficient budgets.

The seminar focused on insurance accounting, auditing procedures, analysis and monitoring, policyholder protection and reinsurance.

Poland

The Polish insurance supervisory authority and IAIS seminar took place in Krakow, on 8-13 July 2000. Seventy insurance experts from central and eastern European countries and speakers from other IAIS member jurisdictions attended. The topics covered included on-site inspections, policyholder protection, and reinsurance. Case studies used in the seminar were prepared by Mr Bellando (France) and Mr Müller (Germany). The participants in particular appreciated the case study exercise where they could obtain practical knowledge of the supervision of companies in difficulties.

Belize

Offshore Group of Insurance Supervisors organised a training seminar in collaboration with IAIS on 17-19 July 2000 in Belize, hosted by the Office of the Supervisor of Insurance. Thirty insurance supervisors and insurance professionals from twelve offshore jurisdictions attended. The programme included Insurance Core Principles, exchange of information, on-site inspections and insurance accounting. The participants also discussed ways of assessing their insurance supervisory systems.

Other Seminars that IAIS Supported

Insurance Congress of Developing Countries in Nepal

The IAIS assisted the Nepal Insurance Board and the Association of Insurance Supervisory Authorities of the Developing Countries in organising the XII Insurance Congress of Developing Countries in Kathmandu on 12-14 March. There were 192 participants, including non-regulators, from 38 countries. The meeting focused on liberalisation and globalisation in developing countries. The Secretariat made a presentation on IAIS activities.

Risk Management Seminar in Basel

The IAIS helped organise the Risk Management Seminar held at the BIS in Basel on 18-19 June 2000. It was hosted by the Financial Stability Institute (FSI). About 60 insurance,

securities and banking supervisors and central bankers attended. The main topics included management of credit risk, market risk, liquidity risk and insurance risk. The seminar was very useful and allowed supervisors from all financial sectors to exchange views.

Globalisation Seminar in Cairo

The IAIS Secretariat helped organise the UNCTAD/AIO/AAISA workshop on 'Globalisation and the African Insurance Industry' in Cairo on 18-20 July 2000. It was hosted by the Egyptian insurance supervisory authority. About 100 insurance professionals from 42 jurisdictions attended. The Secretariat made a speech on IAIS activities and the insurance supervisory principles.

Textbooks and case studies

The Subcommittee has made steady progress in developing textbooks and case studies since December 1999.

Textbooks

The textbook for licensing control is in the final consultation stage and will be published by the time of the Annual Conference in October 2000.

A draft textbook on on-site inspection is being drafted with a planned publication date in 2001. Web site training material on the basis of these textbooks is being prepared in collaboration with IIF (International Insurance Foundation).

Case Studies

The case studies are effective training tools, as proven by their use in several IAIS seminars. The IAIS will issue several case studies by the time of the Annual Conference in October 2000.

I very much appreciate contributions IAIS members have made – as presenters, participants, organisers and drafters - to the activities of the Subcommittee. In particular, without the earnest devotion of Mr Bellando, former chair of the Subcommittee, we would have never achieved such remarkable results.

Helmut Müller, Germany

Reinsurance Subcommittee

Based on the recommendation of the Working Group on Reinsurance, the Technical Committee established a Subcommittee to develop principles and standards on reinsurance. At the meeting in San Francisco in December 1999 the Subcommittee's mandate was approved. It is to:

- Develop and recommend an IAIS standard on best practices by supervisory authorities for evaluation of the reinsurance cover of primary insurers and the security of their reinsurers. The first draft is to be ready for discussion by the Technical Committee at its meeting in December 2000 and for adoption at the General Meeting in 2001.
- Liaise with the Exchange of Information Subcommittee on the proposal to produce a database of reinsurers. In particular, the Subcommittee should consider the scope of the database.
- Discuss and possibly develop principles on areas in which the insurance supervisor should have authority or control over reinsurance companies - especially in the interest of policyholders. By December 2001, the Subcommittee should present a recommendation to the Technical Committee on the feasibility of developing a principles paper. If it is decided that a principles paper should be developed, the Subcommittee will present a draft to the Technical Committee by mid-2002 with the view to adoption at the General Meeting in 2002; and
- Consult with the industry as appropriate.

The Subcommittee will discuss the different aspects of its mandate simultaneously.

At the Technical Committee's request, the Subcommittee subsequently agreed to include securitisation in its mandate. Selected members of the Subcommittee will liaise with IOSCO and lead the discussion of securitisation issues.

Henrik Bjerre-Nielsen, Denmark

Working Group on Electronic Commerce/Internet

The Working Group on Electronic Commerce/Internet addresses issues related to the challenges of electronic commerce and the Internet to insurance supervision.

The Working Group is chaired by Finland. Other members are the United States, the European Commission, the United Kingdom, Germany and Spain.

Recently, meetings have been held in Tokyo (September 1999), San Francisco (December 1999), Lima (March 2000) and Basel (June 2000).

The Working Group produced the paper, *Principles on the Supervision of Insurance Activities on the Internet*, which was considered by the Technical Committee and the Executive Committee at their June meetings and, after consultation, will be presented to the membership at the General Meeting. This paper provides insurance supervisors and consumers with principles for ensuring that the use of the Internet is secure and that both insurance supervisors and consumers obtain relevant information.

By the General Meeting in 2000, the Working Group plans to have available for discussion the paper, *Insurance on the Internet and Other Electronic Media: Issues for Supervisors*. It will identify a number of key issues related to the use of the Internet.

Tarmo Pukkila, Finland

Report of the Secretariat

The Secretariat observed a constant increase in interest in IAIS activities, not only from members, but also insurance professionals in general. The success of the Sixth Annual Conference in San Francisco in December 1999 demonstrated this. Two hundred and fifty participants from around the world engaged in lively discussions on topical supervisory and regulatory issues. The Secretariat is now preparing the Seventh Annual Conference in Cape Town on 10-12 October 2000.

Maintain and strengthen the organisation

At the general meeting in December 1999, IAIS members unanimously approved the creation of a new membership category, "Observers". In the coming years the Secretariat will work to ensure that the observers are effectively integrated into the IAIS.

With the aim of providing timely and effective communication, the IAIS web site is being reinforced. Members and observers are encouraged to make use of this tool. In addition, the Secretariat issued quarterly IAIS Newsletters updated the IAIS members' directory, and produced the 1998 Annual Report.

The Secretariat manages the IAIS budget. In particular, the Secretariat settled the 1999 IAIS financial statements with the auditors and drafted the IAIS budget for 2001 for approval by the Budget and the Executive Committees. It will be submitted to the IAIS membership for approval at the Annual General Meeting in October 2000.

Support for setting standards

The Secretariat supports, not only the main Committees (Executive, Technical, Emerging Markets and Budget), but also several Subcommittees, Working Groups and Task Forces in their standard setting activities. This is an enormous task since the IAIS has held more than 40 meetings since December 1999.

Encourage members to implement standards

The Secretariat is involved in organising training seminars and developing training textbooks for insurance supervisors. The Secretariat cooperated with the respective national authorities in organising regional training seminars in March in Peru for Latin American jurisdictions, in July in Poland for Central and Eastern Europe and in Belize for offshore jurisdictions. The Secretariat also assisted other institutions in organising training seminars in 2000 - in Nepal in March for insurance supervisors from emerging markets, in Basel in June for insurance, banking and securities supervisors, and in Egypt in July for insurance supervisors from African and Arabic countries. The Secretariat has maintained close contact with International Insurance Foundation, OECD, World Bank, IMF, UNCTAD, Toronto International Leadership Centre, Financial Stability Institute, Joint Vienna Institute, and Asian Development Bank for insurance supervisors' training activities. In cooperation with the Emerging Markets Committee and the Education Subcommittee, the Secretariat helped to develop textbooks, case studies and electronic training tools on insurance supervision.

Recently, the international financial community has placed great emphasis on assessing observance of standards. To assist the assessments conducted by IMF and World Bank, the Secretariat has contributed to creating the Core Principles Methodology and revising the Core Principles. The Secretariat communicates closely with experts from IMF and World Bank.

Reinforce cooperation with other organisations

The Secretariat participated in the work of the Financial Stability Forum, its Working Group on Offshore Financial Centres, and the Task Force on Implementation of Standards. The Secretariat helped a group of IAIS members to draft an insurance paper for the members of Financial Stability Forum. The Secretariat maintains ongoing, close contact with the Secretariats of the Basel Committee and IOSCO. It supported the work of the Joint Forum and its Working Group on Risk Management and Capital. Communication with WTO Secretariat concerning national regulation has just started.

In spite of consistent increase in work with limited capacity, the Secretariat has devoted full effort to fulfil its tasks of serving members and observers. The Secretariat very much appreciates members', observers' and other bodies' considerable support for its activities.

Knut Hohlfeld
Secretary General

1999 Financial Statements & Independent Auditor's Report



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Independent Auditor's Report to the Honorable Members of the

International Association of Insurance Supervisors, Basle

We have audited the accompanying balance sheets of International Association of Insurance Supervisors (the „IAIS“) as of December 31, 1999 and 1998 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, 1999 and 1998, and the change in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

KPMG Fides Peat

Armin Bähler

Christine Gasser
Auditor in charge

Basle, February 14, 2000



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of Certified Accountants and Tax Consultants

Enclosure 1

**Statements of Financial Position
as per December 31,**

	1999	1998
	USD	USD
ASSETS		
Cash	94,280	44,498
Money market investments	645,386	616,344
Accounts receivable, net	173,634	129,838
TOTAL	<u>913,300</u>	<u>790,680</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	153,077	72,120
Prepaid subscriptions	12,600	0
Total liabilities	<u>165,677</u>	<u>72,120</u>
Net assets		
Unrestricted	747,623	718,560
Total net assets	<u>747,623</u>	<u>718,560</u>
TOTAL	<u>913,300</u>	<u>790,680</u>

See notes to financial statements

Enclosure 2/1

Statements of Activities
years ended December 31,

	1999	1998
	USD	USD
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and gains:		
Membership fees	382,500	312,125
Meeting registration fees	155,050	167,463
Interest income	29,042	22,771
Newsletter subscriptions	2,100	870
Miscellaneous income	23,250	0
Exchange rate differences	6,844	0
	<hr/>	<hr/>
Total unrestricted revenues and gains	598,786	503,229
Net assets released from restrictions	0	251,676
	<hr/>	<hr/>
Total unrestricted revenues and gains	598,786	754,905
	<hr/>	<hr/>
Expenses		
Program expenses		
Meeting services	123,613	78,084
Management and general		
Salary and benefits	353,234	286,791
Training	5,363	3,752
Fax and telephone	8,598	24,288
Travel and transportation	40,776	46,102
Postage and office supplies	4,888	3,656
Professional services	2,413	2,920
Editing	1,161	1,006
Printing	2,475	5,306
Entertainment	3,454	0
Website	22,249	0
Relocation	0	43,390
Miscellaneous expenses	1,499	60,723
	<hr/>	<hr/>
Total expenses	569,723	556,018
	<hr/>	<hr/>
Increase in unrestricted net assets	29,063	198,887
	<hr/>	<hr/>

Enclosure 2/2

Statements of Activities
years ended December 31

	1999	1998
	USD	USD
Carried forward	29,063	198,887
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Released from restrictions	0	- 251,676
Decrease in temporarily restricted net assets	0	- 251,676
DECREASE / INCREASE IN NET ASSETS	29,063	- 52,789
NET ASSETS, BEGINNING OF YEAR	718,560	771,349
NET ASSETS, END OF YEAR	747,623	718,560

See notes to financial statements

Enclosure 3

**Statements of cash flows
years ended December 31**

	1999	1998
	USD	USD
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	29,063	- 52,789
Changes in:		
Accounts receivable	- 169,634	4,700
Contributions receivable	125,838	226,644
Accounts payable	80,957	55,723
Prepayments subscriptions	12,600	0
Deferred revenue	0	- 2,795
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	78,824	231,483
CASH FLOWS FROM FINANCING ACTIVITIES	<hr/> 0	<hr/> 0
INCREASE IN CASH AND CASH EQUIVALENTS	78,824	231,483
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<hr/> 660,842	<hr/> 429,359
CASH AND CASH EQUIVALENTS, END OF YEAR	<hr/> <hr/> 739,666	<hr/> <hr/> 660,842

See notes to financial statements

Enclosure 4/1

Notes to financial statements years ended December 31, 1999 and 1998

1. NATURE OF ORGANIZATION

The International Association of Insurance Supervisors (the "IAIS") is an Association in accordance with Swiss Law. The Association is domiciled in Basle, Switzerland and receives membership fees from members world wide.

It 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements have been recorded on the accrual basis of accounting. Membership fees are unrestricted and are recorded as revenues in the applicable membership year. Unrestricted revenues and expenses for the annual meetings are recorded when earned or incurred. All revenues are unrestricted.

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.

Cash and Cash Equivalents - Cash and cash equivalents include deposits in a checking account and an interest bearing money market account.

3. INCOME TAXES

The Association is exempt from income tax following its move to Switzerland in 1998.

Enclosure 4/2

Notes to financial statements years ended December 31, 1999 and 1998

4. CONTRIBUTIONS RECEIVABLE

The IAIS entered into an agreement with the Swiss Government to relocate its corporate headquarters from the United States to Switzerland. As an incentive for the IAIS to relocate to Switzerland, the Swiss Government agreed to contribute the following amounts to IAIS:

	USD
1997	100,806
1998	125,838
1999	125,838

At December 31, 1999, all contributions due to IAIS had been received.

5. RELATED PARTY TRANSACTIONS

The National Association of Insurance Commissioners (the "NAIC") is an affiliated organization which is also a member of IAIS. Under a Services Agreement between the NAIC and IAIS, which was cancelled during 1998, the NAIC provided certain administrative services to IAIS. For the year ended December 31, 1998, the total amount charged by the NAIC for administrative service was USD 11,336. In 1999, there were no related party transactions.

6. BENEFITS RECEIVED

Since its move to Switzerland in 1998, IAIS benefits from administration, accounting and other advisory services provided by the Bank for International Settlements, Basle; the total amount of these benefits has not been determined.

7. RECLASSIFICATIONS

In certain instances, amounts previously reported in the 1998 financial statements have been reclassified to conform to the 1999 presentation. Such reclassifications have no effect on the change in net assets as previously reported.

Enclosure 4/3

Notes to financial statements
years ended December 31, 1999 and 1998

8. COMMITMENTS AND CONTINGENCIES

There are no known commitments or contingencies at December 31, 1999.

Appendices

Appendix 1: List of Members

Financial Services, Government of Anguilla The Valley P.O. Box 60 Anguilla	Ministry of Finance and Economic Affairs 1st Floor Nicholas House Broad Street Bridgetown Barbados	Superintendencia de Seguros Privados (SUSEP) Rua Buenos Aires, 256-4 20061-000 Rio de Janeiro/RJ Brazil
Superintendencia de Seguros de la Nacion Argentina Julio A. Roca 721 (1067) Buenos Aires Argentina	Office de Controle des Assurances Avenue de Cortenbergh 61 B-1000 Brussels Belgium	Financial Services Department The Haycraft Building, Pasea Estate Road Town Tortola British Virgin Islands
Centrale Bank van Aruba Havenstraat 2 Oranjestad Aruba Dutch Caribbean	European Commission Rue de la Loi/ Wetstraat 200 B-1049 Brussels Belgium	Insurance Supervision Directorate 6, Tzar Osvoboditel Blvd. 5th Floor Sofia 1000 Bulgaria
Motor Accidents Authority of NSW Level 22 580 George Street Sydney NSW 2000 Australia	Office of the Supervisor of Insurance, Ministry of Finance New Administration Building Belmopan Belize	Office of the Superintendent of Financial Institutions Kent Square 255 Albert Street 16th Floor Ottawa, Ontario K1A 0H2 Canada
Australian Prudential Regulation Authority (APRA) 400 George Street Sydney NSW 2000 Australia	Bermuda Government Government Administration Building 30 Parliament Street Hamilton HM12 Bermuda	Financial Services Commission of Ontario 5160 Yonge Street 17th Floor North York ON M2N 6L9 Canada
Bundesministerium für Finanzen Johannesgasse 14 A-1015 Vienna Austria	Superintendencia de Pensiones, Valores y Seguros Calle Federico Zuazu esq. Reyes Ortiz Edificio "Tórres Gundlach", Piso 3 La Paz Bolivia	Inspecteur General Des Institutions Financieres 800, Place D'Youville 8e - Etage GIR 4Y5 Canada
Office of the Registrar of Insurance Companies, Ministry of Economic Development P.O. Box N-4849 2nd Floor, Manx Corporate Centre West Bay Street Nassau N.P. Bahamas	Ministry of Finance & Development Planning Private Bag 008 Gaborone Botswana	

Cayman Islands Monetary Authority Insurance Supervision Department P.O. Box 10052 APO Elizabethan Square Grand Cayman Cayman Islands, BWI	Superintendencia del Sistema Financiero 7a. Avenida Sur No. 240 entre 1a. Calle Poniente y Calle Arce Apartado Postal 2942 San Salvador El Salvador	Bundesaufsichtsamt für das Versicherungswesen Ludwigkirchplatz 3-4 D-10719 Berlin Germany Bundesministerium der Finanzen Graurheindorfer Straße 108 D-53003 Bonn Germany
Superintendencia de Valores y Seguros Teatinos 120, Piso 6 Santiago Chile	Estonian Insurance Supervisory Authority A. Lauteri 5 Tallin 10114 Estonia	National Insurance Commission Ghana P.O. Box CT 3456 Cantonments Accra Ghana
Department of Insurance Ministry of Finance 2, Ai-Kuo W. Road Taipei Chinese Taipei	Reserve Bank of Fiji Pratt Street Suva Fiji	Financial Services Commission Suite 943 Europort P.O. Box 940 Gibraltar
Ministry of Finance Service for the Control of Insurance Companies P.O. Box 23364 1682 Nicosia Cyprus	Insurance Supervisory Authority P.O. Box 449 FIN-00101 Helsinki Finland	Direction of Insurance Enterprises and Actuaries Insurance Division Kaning Square 10181 Athens Greece
Finanstilsynet (Danish Financial Supervisory Authority) GL. Kongevej 74 A DK-1850 Frederiksberg C Denmark	Ministry of Social Affairs & Health Insurance Department Hallituskatu 5 P.O. Box 267 FIN-00171 Helsinki Finland	Superintendencia de Bancos 9a. Av. 22-00, Zona 1 Ciudad de Guatemala C.P. 01001 Guatemala
Superintendencia de Bancos 12 de Octubre N24-185 y Madrid Casilla 171777-0 Quito Ecuador	Commission de Contrôle des Assurances 54, rue de Châteaudun F-75436 Paris Cedex 09 France	Guernsey Financial Services Commission La Plaiderie Chambers La Plaiderie St. Peter Port Guernsey GY1 1WG Channel Islands
Egyptian Insurance Supervisory Authority P.O. Box 2545 28 Talaat Harb Street Cairo Egypt	Ministère de l'Economie, des Finances et de l'Industrie 139, rue de Bercy F-75012 Paris France Insurance State Supervision Service of Georgia 45 Vazha-Pshavela Tbilisi 380077 Georgia	

Direction des Assurances Banque Centrale de la Rep. De Guinee 3 Bd. Du Commerce BP=692 Conakry Guinea	Ministry of Finance 1 Kaplan Street P.O.B. 13195 Jerusalem 91131 Israel	Central Bank of Lesotho P.O.Box 1184 Maseru Lesotho
Office of the Commissioner of Insurance Queensway Government Offices 21st Floor 66 Queensway Hong Kong	ISVAP Via del Quirinale 21 I-00187 Rome Italy	Amt für Volkswirtschaft, Versicherungsaufsicht Gerberweg 5 FL-9490 Vaduz Liechtenstein
Hungarian Financial Supervisory Authority Pf. 481 H-1369 Budapest Hungary	Office of the Superintendent of Insurance 51 St. Lucia Avenue Kingston 5 Jamaica, W.I.	State Insurance Supervisory Authority Under the Ministry of Finance Birutes 56 LT-2600 Vilnius Lithuania
The Financial Supervisory Authority Sudurlandsbraut 32 108 Reykjavík Iceland	Financial Services Agency 3-1-1 Kasumigaseki Chiyoda-ku Tokyo 100-0013 Japan	Commissariat aux Assurances 7, Boulevard Royal L-2449 Luxembourg
Insurance Regulatory Authority Ministry of Finance, Govt. of India Ground Floor, Tower-I, Jeevan Bharati Bldg. 124 Connaught Circus New Delhi--110001 India	Jersey Financial Services Commission P.O. Box 267 Nelson House David Place St. Helier JE4 8TP Chanel Islands Jersey	Autoridade Monetária e Cambial de Macau Rua Pedro Nolasco da Silva, No. 45 P.O. Box 3017 Macau
Irish Insurance Supervisory Authority Department Enterprise, Trade & Employment South Frederick Street Dublin 2 Ireland	Insurance Regulatory Commission P.O. Box 2019 Amman 11181 Jordan	Bank Negara Malaysia Insurance Regulation Department 11th Floor, Block A Jalan Dato' Onn 50480 Kuala Lumpur Malaysia
Isle of Man Government, Insurance and Pensions Authority HSBC House Ridgeway Street Douglas 1M1 1ER Isle of Man	Labuan Offshore Financial Services Authority (LOFSA) Level 17, Main Office Tower Financial Park Complex Labuan F.T. 87000 Labuan, Malaysia	Malta Financial Services Centre Attard Malta
	Insurance Supervision Inspectorate Street Smilsu 1 Riga LV 1050 Latvia	Ministry of Industry, Commerce, Corporate Affairs & Financial Services 7 Leoville L'Homme Street Port Louis Mauritius

Comision Nacional de Seguros y Fianzas Av. Insurgentes Sur No. 1971 Torre Norte 2 Piso Col. Guadalupe Inn 01020 D.F. México	Organization for Economic Cooperation & Development 2, rue André Pascal F-75775 Paris, Cedex 16 France	Department of Insurance Supervision Ministry of Finance 20, Tverskaya Street 103009 Moscow Russia
Beema Samiti (Insurance Board) Blood Bank Complex, Exhibition Road Kathmandu P.O. Box # 2172 Nepal	Superintendencia de Panama Calle 51 y Avenida Ricardo Arias, Edificio C-11 Diagonal a la Universidad Latina de Panamá Apartado 832-1683 World Trade Center Panamá City Panama	Monetary Authority of Singapore 10 Shenton Way M.A.S. Building 079117 Singapore
Ministry of Finance of the Netherlands P.O. Box 20201 2500 EE The Hague Netherlands	Department of Finance & Treasury Level 1, ADF House Musgrave Street P.O. Box 122 Port Moresby Papua New Guinea	Ministry of Finance, Insurance Supervisory Authority Republika Slovenija Trg Republike 3 1000 Ljubljana Slovenia
Verzekeringskamer 32, J.F. Kennedylaan Postbus 929 Apeldoorn 7301 BD Netherlands	Superintendencia de Banca y Seguros del Peru Los Laureles No. 214, San Isidro Lima 27 Peru	Financial Services Board 446 Rigel Avenue South Erasmusrand Pretoria 0181 South Africa
Bank van de Nederlandse Antillen Breedestraat 1 (P) Willemstad Curaçao Netherlands Antilles	Insurance Commission Department of Finance 1071 United Nations Avenue Ermita, Manilla Philippines	Financial Supervisory Service 27 Yoido-dong Youngdeungpo-gu Seoul 150-743 South Korea
Ministry of Commerce Business & Registries Branch P.O. Box 10843 The Terrace Wellington New Zealand	State Office for Insurance Supervision ul. Niedzwiedzia 6E 02-737 Warsaw Poland	Direccion General de Seguros Ministerio de Economia y Hacienda Paseo de la Castellana, 44 28046 Madrid Spain
KreditTilsynet Ostensjovn. 43 N-0667 Oslo Norway	Instituto de Seguros de Portugal Av. de Berna, 19 1050 Lisboa Portugal	Ministry of Finance, Insurance Division Lady Lochore Bldg., 100 Sir Chittampatam A Gardiner Mawatha Colombo 02 Sri Lanka

Centrale Bank van
Suriname
Waterkant 20
P.O. Box 1801
Paramaribo
Suriname

Finansinspektionen
Regeringsgatan 48
P.O. Box 7831
S-103 98 Stockholm
Sweden

Federal Office of Private
Insurance
Friedheimweg 14
CH - 3003 Bern
Switzerland

Taiwan is now listed
under Chinese Taipei

Department of Insurance
Ministry of Commerce
44/100 Sanambinnam
Road
Nonthaburi 11000
Thailand

Prime Ministry,
Undersecretariat of
Treasury
Insurance Supervisory
Board
Inonu Cad. Hazine
Binasi
06510 Emek/Ankara
Turkey

Financial Services
Commission
P.O. Box 173
Post Office Building
Front Street
Grand Turk
Turks & Caicos BWI

Financial Services
Authority
25 The North Colonnade
Canary Wharf
London E14 5HS
United Kingdom

Superintendencia de
Seguros y Reaseguros
Paysandu, Esq. Florida
C.P. 11 100
Montevideo
Uruguay

National Association of
Insurance
Commissioners (NAIC)
Hall of States
444 N. Capitol Street,
N.W., Suite 701
Washington, D.C.
20001-1512
USA

Candidates for membership in 2000

China Insurance
Regulatory Commission
No. 410 Fu Cheng Men
Nei Dajie Xicheng
District
Beijing
People's Republic of
China

National Bank of
Kazakhstan
21 Koktem-3
Almaty
Kazakhstan

International Companies
Office
PO Box 3265
Level 5
Central Bank of Samoa
Building
Apia
Samoa

Vanuatu Financial
Services Commission
Financial Services
Centre
Carnet Street, PMB 023
Port Vila
Vanuatu

Appendix 2: Candidates for Observership in 2000

Council of International
Insurance Broker
Associations
Secretariat of NIBA
Level 18
Pacific Highway
North Sydney 2060
Australia

Insurance Council of
Australia Limited
Level 3
56 Pitt Street
Sydney
NSW
Australia

World Federation of
Insurance Intermediaries
Avenue Albert-Elisabeth
40
1200 Brussels
Belgium

Lawrie Savage &
Associates Inc.
1 First Canadian Place
Suite 5100
Toronto M5X 1K2
Canada

Federacion de
Aseguradores
Colombianos, Fasecolda
Carrera 7a, No 26-20,
Piso 11
Santafe de Bogota, D.C.
Colombia

AXA
21 avenue Matignon
75008 Paris
France

Comité Européen des
Assurances
3 bis rue de la Chaussée
d'Antin
75009 Paris
France

Deloitte Touche
Tohmatsu
185 avenue Charles de
Gaulle
92200 Neuilly sur Seine
France

Fédération Française des
Sociétés d'Assurance
26 boulevard Haussmann
75009 Paris
France

Gesamtverband der
Deutschen
Versicherungswirtschaft
Friedrichstrasse 191
10117 Berlin
Germany

KPMG Deutsche
Treuhand-Gesellschaft
AG
Barbarossaplatz 10
50674 Cologne
Germany

Associazione Nazionale
fra le Imprese
Assicuratrici
Via Della Frezza 70
00186 Rome
Italy

The Center for Financial
Industry Information
Systems
2-1-1 Iritune
Chuo-ku
Tokyo 1040042
Japan

The Marine & Fire
Insurance Association of
Japan Inc.
Non-Life Insurance
Building
9 Kanda Awajicho 2-
Chome
Chiyoda-Ku
Tokyo
Japan

The Toa Reinsurance
Company Ltd.
6 Kanda-Surugadai 3-
Chome
Chiyoda-ku
Tokyo 101-8703
Japan

The Tokio Marine and
Fire Insurance Co. Ltd.
2-1 Marunouchi 1-Chome
Chiyoda-ku
Tokyo
Japan

Verbond van
Verzekeraars
Postbus 93450
2509 Al Den Haag
Netherlands

Polish Chamber of
Insurance
Plac Defilad 1
Warsaw, 00-901
Poland

Schweizerischer
Versicherungsverband
C.F. Meyerstrasse 14
Postfach 4288
CH-8022 Zurich
Switzerland

Swiss Reinsurance
Company
Mythenquai 50/60
P.O. Box
8022 Zürich
Switzerland

Winterthur International
Grüezfeldstrasse 41
CH-8401 Winterthur
Switzerland

Association of the Insurance and Reinsurance Companies of Turkey Büyükdere Caddesi Büyükdere Plaza No. 195 Kat. 1-2 80620 Levent Istanbul Turkey	PriceWaterhouse Coopers Southwark Towers 32 London Bridge Street London SE1 9SY United Kingdom	International Insurance Foundation 1233 Twentieth Street, N.W. Suite 202 Washington, D.C. 20036 USA
Association of British Insurers 51 Gresham Street London EC2V 7HQ United Kingdom	Royal & Sun Alliance Insurance Group plc 30 Berkeley Square London W1X 5HA United Kingdom	International Monetary Fund 700 19th Street, N.W. Washington, DC 20431 USA
Chartered Insurance Institute 20 Aldermanbury London EC2V 7HY United Kingdom	ACE INA Holdings Inc. 1601 Chestnut Street Philadelphia PA 19192-2067 USA	New York Life International 1001 Pennsylvania Avenue, N.W. Suite 580N Washington, D.C. 20004 USA
Clifford Chance 200 Aldersgate Street London EC1A 4JJ United Kingdom	American Council of Life Insurers 1001 Pennsylvania Avenue, N.W. Suite 500 Washington, D.C. 20004-2599 USA	NLI Research Institute 1251 Avenue of the Americas Suite 5240 New York, NY 10020-1186 USA
Corporation of Lloyd's One Lime Street London EC3M 7HA United Kingdom	American International Group, Inc. 70 Pine Street New York NY 10270 USA	Reinsurance Association of America 1301 Pennsylvania Avenue, N.W. Suite 900 Washington, D.C. 20004 USA
Ernst & Young Rolls House 7 Rolls Buildings Fetter Lane London EC4A 1NH United Kingdom	Barnert Global Ltd. 40 Exchange Place Suite 1707 New York, NY 10005-2701 USA	The Chubb Corporation One Massachusetts Avenue, N.W. Suite 350 Washington, D.C. 20001 USA
Government Actuary's Department New King's Beam House 22 Upper Ground London SE1 9RJ United Kingdom	Insurance Services Office, Inc. 7 World Trade Centre New York NY 10048 USA	World Bank 1818 H Street N.W. Washington, D.C. 20433 USA
International Underwriting Association of London London Underwriting Centre 3 Minster Court Mincing Lane London EC3R 7DD United Kingdom	International Insurance Council 900 19th Street, N.W. Suite 250 Washington, D.C. 20006 USA	

Appendix 3: List of Papers Presented at the Sixth Annual Conference

**December 1999
San Francisco, USA**

- Official Opening Speech* by Mr George Reider Jr., President of NAIC, Commissioner of Connecticut Department of Insurance
- Canadian Model for Managing Earthquake Exposure*, Paul Kovacs, Senior Vice President, Insurance Bureau of Canada, Canada
- Consideration of the way national taxation systems affect the supervisor*, Bjørn Skogstad Aamo, Director General, Kredittilsynet, Norway
- Development of a 'Single Regulator' for Financial Services*, Martin Roberts, Director, Insurance and Friendly Societies Supervision, Financial Supervisory Authority, U.K.
- Financial Liberalisation: the case of Mexico*, Guillermo Prieto Treviño, Director General of Insurance and Brokerage, Ministry of Finance, Mexico
- How to Privatisise*, Néstor Corrochano Moral, Superintendente Adjunto de Seguros, Superintendencia de Banca y Seguros del Peru, Peru
- Implications of the Taxation Regime on Pension Savings in Japan*, Prof. Yoshihiro Masui, Associate Professor, Graduate School of Law and Politics, University of Tokyo, Japan
- Insurance Fraud*, Daniel Johnston, Executive Director, Insurance Fraud Bureau of Massachusetts, USA
- Insurance Fraud*, David Leighton, Head of Legal & Fiscal Affairs, Association of British Insurers, U.K.
- Insurance Fraud: Malaysian Experiences*, Zakaria Ismail, Head, Insurance Regulation Department, Bank Negara Malaysia, Malaysia
- Insurance Laws, Regulations and Practices in IAIS Member Jurisdictions*, Peter Braumüller, Director, Insurance Department, Ministry of Finance, Austria
- Insurance Market Opening Experiences: the Spanish Case*, Isabel Pastor, Coordinator of International Affairs, Ministerio de Economía y Hacienda, Spain
- Insurance of Natural Catastrophe Risks 1999: Status and Developments*, Werner Schaad, Head of Catastrophe Perils, Swiss Re, Switzerland
- Insurance Taxation*, Hans Mayr, Head of Taxation Department, Allianz Versicherung, Germany
- Key Issues of International Accounting: from an insurer's point of view*, Ruediger Will, Director Accounting-Reporting, Gerling-Konzern, Germany
- Lessons of the Partial Market Opening in the Hungarian Insurance Sector*, László Asztalos, President, State Supervising Authority of Insurance, Hungary
- Lessons of the Privatisation of the Hungarian Insurance Sector*, László Asztalos, President, State Supervising Authority of Insurance, Hungary
- Natural Disasters: Recent Events and Long-term Loss Trends*, Dr Anselm Smolka, Munich Re, Germany
- Needs and Concerns of Emerging Market Supervisors*, Matthew King, Administrator, European Commission, Brussels
- New System for the Estimation of Losses due to Earthquakes, for the Mexican Insurance Commission (CNSF)*, Mario Ordaz, Coordinator of Seismologic Dept. of Engineering Institute, National University of Mexico, Mexico
- Observer Membership*, John Thompson, Deputy Superintendent, Office of the Superintendent of Financial Institutions (OSFI), Canada
- Paper on Privatisation*, Samuel Appiah-Ampofo, Insurance Supervisors Commissioner, National Insurance Commission, Ghana
- Pension Guarantees – interest rates – the tax system – the Danish Case*, Henrik Bjerre-Nielsen, Director General, Finanstilsynet, Denmark

- Picasso and Monet: Two different accounting views of 'reality' in a financial crisis*, Hans Wagner, US GAAP Regional Development Manager, Axa National Mutual Holdings, Australia
- Pressures for Changes in Supervisory Structures*, Helmut Müller, President, Bundesaufsichtsamt für Versicherungswesen, Germany
- Pressures for Changes in Supervisory Structures*, Tom Karp, Executive General Manager, Australian Prudential Regulation Authority, Australia
- Regulation of Earthquake Risk*, Manuel Aguilera Verduzco, President, Comision Nacional de Seguros y Fianzas, Mexico
- Securistisation of Catastrophe Risks*, Takaaki Tamai, Associate Manager, The Tokio Marine and Fire Insurance Company Ltd, Japan
- Tax Considerations for Insurance Companies*, M. Kristan Rizzolo, LeBoeuf, Lamb, Greene & McRae, USA
- Taxation as it affects insurers*, Peter Bates, Supervisor of Insurance, Financial Services Department, British Virgin Islands
- The 'Consortio de Compensacion de Seguros' and the Coverage of Catastrophe Risks in Spain*, Miguel Jimenez de Cordoba, General Director, Consortio de Compensacion de Seguros, Mexico
- Towards a unique reporting system?* Charles Vincensini, Partner Mazars et Guerard, France

Appendix 4: Press Communiqués

The International Association of Insurance Supervisors (IAIS) Sixth Annual Conference:

The Association opens membership to non-regulators

8 December 1999

The International Association of Insurance Supervisors (IAIS), representing insurance supervisors from more than 100 jurisdictions around the world, held its Sixth Annual General Meeting in San Francisco, United States, on 8 December 1999.

Established in 1994, the IAIS's mission is to establish international standards on insurance supervision and to conduct training seminars for insurance supervisors from emerging markets. The Association also coordinates its efforts with other financial regulators, particularly those from the banking and securities industries.

At the General Meeting the IAIS decided to introduce a new membership category called "observer", open to all those who are not regulators but who are interested in contributing to the work of the IAIS, for example insurance companies, insurance brokers or accounting firms. The Observers have the right to

- be involved in the official consultation procedure for IAIS insurance standards and textbooks and to make comments on draft IAIS standards and textbooks;
- participate in IAIS seminars and conferences; and
- receive IAIS papers, publications and periodicals and have access to the observer member area of the IAIS web-site.

The following three new or revised standards on insurance supervision were approved at the General Meeting. These standards will contribute to improved supervision of the insurance industry at the domestic as well as the international level.

Principles Applicable to the Supervision of International Insurers and Insurance Groups and their Cross-Border Business Operations (Insurance Concordat) - an amended version of the Principles Applicable to the Supervision of International Insurers and Insurance Groups and their Cross-Border Establishments. The new name and amendments have been proposed to extend the scope of this paper to insurance business that is conducted on a services basis without any foreign establishment.

Principles for the Conduct of Insurance Business - has the objective of improving insurer, intermediary and consumer relationships, thereby strengthening consumer confidence in the industry. These principles will form the basis on which more specific standards for market conduct will be developed later.

Supervisory Standard on Asset Management - describes the essential elements of a sound asset management system and reporting framework across the full range of investment activities. It provides guidelines for good practice for supervisors to use in assessing how insurers control the risks associated with their investment activities. In addition, the result of the IAIS analysis of insurance systems of 90 jurisdictions was announced and officially distributed at the Annual General Meeting.

The seventh IAIS Annual Conference will be held in Cape Town in October 2000.

IAIS/OECD Insurance Supervisory Seminar for Latin American Countries

6 April 2000

1. Introduction

The International Association of Insurance Supervisors (IAIS) together with the Latin American Association of Insurance Supervisors (ASSAL) and the Organisation for Economic Cooperation and Development (OECD) held the Third Training Seminar for Latin American insurance supervisors in Lima, Peru, on 27-29 March 2000. There were 80 participants representing insurance regulators, supervisors and other insurance professionals from around the world.

The seminar was hosted by Superintendencia de Banca y Seguros del Peru and was opened by Mrs Lorena Masías de Zamalloa, Superintendente Adjunta de Banca y Seguros, who called for greater regulatory cooperation among Latin American economies as well as developed countries and international organisations. Other opening speakers included Manuel Aguilera Verduzco, President of both ASSAL and the Mexican Insurance and Surety Commission; Yasui Takahiro, OECD Principal Administrator; Robert Gibbons, President of the International Insurance Foundation (IIF); and André Swanepoel, IAIS Chair of the Emerging Markets Committee and Deputy Executive Officer of Financial Service Board, South Africa. The meeting was funded by the Superintendencia de Banca y Seguros of Peru, the IAIS and the IIF.

2. Third Training Seminar for Latin American Insurance Supervisors

The seminar focused on the essential topics concerning insurance supervision and regulation in Latin American countries, i.e. accounting regulation, audit procedures, analysis and monitoring, policyholder protection and reinsurance. It provided an ideal opportunity for Latin American insurance regulators to discuss suitable approaches to the insurance system reforms in their own countries.

The accounting regulation session described accounting systems currently in place in the United States and Europe, pointing out where regulatory accounting principles differ from generally accepted accounting principles and was presented also the Paper on Insurance issued by the International Accounting Standards Committee (IASC). Participants exchanged views on having internationally accepted accounting principles. The session was chaired by Ms Jane Lamb, Senior Analyst, Office of the Superintendent of Financial Institutions, Canada.

The audit procedures session studied ways of protecting policyholders and policy beneficiaries through on-going supervision and on-site inspections. There were active debates on how supervisors assess the independence of external auditors and the need of an internal controls systems and internal auditors efficient. The session was chaired by Mr Jean-Louis Bellando, Secretary General, Insurance Supervisory Commission, France.

The session on analysis and monitoring discussed how the insurance authorities could exercise their supervisory powers most effectively in order to prevent, at an early stage, problems which could result from certain activities of insurance companies. Participants discussed the sort of prudential regulations that were available in order to reinforce the solvency like solvency margin and risk based capital (RBC). The session was chaired by Mr Craig Thorburn, General Manager, Australian Prudential Regulatory Authority, Australia.

The policyholder protection session dealt with supervision and regulation aimed at protecting policyholders. This included for example market conduct regulation, policyholder protection funds and ombudsman, rather than solvency regulations. The pros and cons of policyholder protection funds were discussed by the floor. Finally a policy of consumers complaints handling was discussed, which was chaired by Ms Terri Vaughan, State of Iowa Commissioner, USA.

The final reinsurance session examined the importance of reinsurance, as well as ways to exchange information between insurance and reinsurance companies. It was recognised that reinsurance is of special economic importance not only to the individual primary insurance markets but also to the general economic development of the countries in which they were located. The session was chaired by Mr Helmut Müller, President, German Insurance Supervisory Authority, Germany.

The next ASSAL/IAIS/OECD seminar for insurance supervisors and regulators will take place in Oaxaca, Mexico in September 2000 and will be hosted by the Mexican Insurance and Surety Commission.

ASSAL XI Annual Meeting and IAIS/ASSAL/OECD Conference on Insurance Regulation and Supervision in Latin America

September 2000

1. Introduction

The International Association of Insurance Supervisors (IAIS) together with the Latin American Association of Insurance Supervisors (ASSAL) and the Organisation for Economic Cooperation and Development (OECD) held a conference on insurance regulation and supervision for Latin American insurance supervisors, back-to-back with the ASSAL XI Annual Meeting in Oaxaca, Mexico, on 4-8 September 2000. There were 104 participants representing insurance regulators, supervisors and other insurance professionals from around the world.

The seminar was hosted by Comision Nacional de Seguros y Fianzas of Mexico and was opened by Mr Julian Olivas, General Director of Insurance and Securities, Treasury Secretary of Mexico, who called for greater regulatory cooperation and dialogue among Latin American countries and nations from other regions. Other opening speakers included Mr Manuel Aguilera, President of ASSAL and Comision Nacional de Seguros y Fianzas of Mexico; Mr Hanley Clark, Chairman of IAIS Executive Committee; Mr Yasui Takahiro, OECD Principal Administrator; and Mr Justiniano Carballido, Representative of the Governor of Oaxaca. The meeting was funded by ASSAL, Comision Nacional de Seguros y Fianzas of Mexico, the IAIS, the OECD and the International Insurance Foundation (IIF).

The IAIS is the international insurance standard setting body whose standards have been adopted by over 100 jurisdictions. The conference participants reviewed key insurance regulatory and supervisory issues covered by the IAIS Insurance Core Principles. They reconfirmed the importance of implementing the IAIS Insurance Core Principles which have also been used as the guideline for the assessment programmes conducted by the IMF and the World Bank.

2. ASSAL XI Annual Meeting – IAIS/ ASSAL/ OECD Conference on Insurance Regulation and Supervision in Latin America

a) ASSAL Annual Meeting

The ASSAL Annual Meeting on 4-5 September 2000 focused on the essential topics concerning insurance supervision and regulation in Latin American countries, i.e. organisational structure of supervisory body, health insurance, dynamic solvency and stress testing, and alternative risk transfer. The session was chaired by Mr Manuel Aguilera, President of ASSAL and Comision Nacional de Seguros y Fianzas of Mexico.

- The panel on organisational structure of an insurance supervisory body discussed issues concerning the organisation of insurance supervisory authorities in light of the current trend in convergence in financial sectors.
- The health insurance panel discussed the increasing importance of private health insurance systems in many countries, and the methods for its supervision.
- The dynamic solvency and stress-testing panel studied current discussions on risk assessment techniques and the necessity for international coordination in this area.

- The alternative risk transfer panel covered the development of new risk transfer mechanisms and effective measures for its supervision.

b) IAIS/ASSAL/OECD Conference

The first part of the IAIS/ASSAL/OECD Conference on 6-7 September 2000, focused on issues relating to liberalisation, reinsurance and solvency regulation. The session was chaired by Mr Manuel Aguilera and Ms Helena Conruyt-Angenent, Chairperson of the OECD Insurance Committee.

- The liberalisation panel dealt with cross-boarder regulation and supervision in relation to liberalisation of the insurance market. Participants showed particular interest in how to deal with regulation of insurance on the internet.
- The reinsurance panel examined the importance of exchange of information between insurance and reinsurance companies.
- The solvency regulation panel asked what are the major risks for insurance business and how should supervisors effectively assess these risks.
- The financial convergence sector panel examined the importance of coordination between relevant supervisors especially in the supervision of financial conglomerates.

The second part of the conference on 7-8 September 2000 made use of case studies provided by German and Mexican insurance supervisory authorities. This session also helped in the understanding of the IAIS core principles. It provided an ideal opportunity for Latin American insurance regulators to discuss suitable approaches to the insurance supervision in their own countries, in particular for dealing with companies in difficulty. The session was chaired by Mr Manuel Aguilera and Mr Yoshihiro Kawai, Deputy Secretary General of the IAIS.

The next ASSAL Annual Meeting and IAIS/ASSAL/OECD Conference will take place in Lima, Peru in 2001 and will be hosted by the Superintendencia de Banca y Seguros of Peru.

