

IAIS Annual Conference
Beijing, China
October 19, 2006
9:30 – 9:45 am
Introductory Speech
“Fostering Development & Managing Risk—Challenges for Insurance Supervision”
NAIC President Alessandro Iuppa
Superintendent of Insurance, Maine
Chair, IAIS Executive Committee

Nee Hao. Today marks the opening of the 2006 IAIS Annual Conference and it is my distinct honor to be here today among so many colleagues, friends and familiar faces. In my role as Chair of the IAIS Executive Committee, I want to extend a warm welcome to all of you. With nearly 600 insurance supervisors and professionals representing more than 100 countries, this is the largest annual conference in IAIS history. This new level of attendance and participation reinforces the relevance and importance of insurance supervision worldwide, the work of the IAIS and the allure of China both commercially and culturally.

I want to extend our sincere appreciation and gratitude to Chairman Wu Dingfu and his colleagues at the China Insurance Regulatory Commission for hosting this extraordinary event. Their diligence and dedication, not to mention the charm of the ancient city of Beijing, will ultimately make this one of the most successful IAIS meetings to date. It is most timely for China to organize this international event, as 2006 mark's the anniversary of China's accession to the World Trade Organization. Since then, the CIRC has implemented a number of institutional reforms, which reflect the importance they now place on being active participants in the global marketplace. The Chinese people have benefited greatly from China's integration into the global economy, with its GDP having grown 10 fold over the last 27 years. Today, China is transitioning from a planned economy to a market driven economy and the expanding insurance market is a prime example of the positive effect of the reforms.

Experts agree that China's insurance industry is expected to sustain its double-digit rate of growth for the immediate future. I know most of us are here to discuss supervisory issues but I assure you that many more are here to learn about the opportunities and challenges within the Chinese insurance market. With a

population of over 1.3 billion, and a total insurance premium of \$62 billion, China now ranks as the world's 11th largest insurance market. Who wouldn't be interested?

Like China, there are a number of other countries whose insurance markets have demonstrated the propensity to grow. This is no accident when you consider that these countries have promoted healthy capital markets, greater competition, regulatory cooperation, transparency and openness. Over the next two days, you will have the opportunity to hear from a variety of experts in sessions covering topics such as insurer solvency oversight, corporate governance, natural catastrophes and the challenges of conducting cross border business and the attendant supervision.

A principal purpose of the IAIS Annual Conference is to promote the exchange of views, at a global level, on critical issues to further the development of the insurance business and its supervision, and I am confident that the panel discussions will be successful in that regard. But I also hope that you will take advantage of the many breaks and social functions to engage in bi-lateral conversation with your colleagues. There is no substitute for face to face communication.

This morning, I would like to draw attention to some of the significant IAIS achievements during the past year, and to discuss some of our challenges as we look to the future.

Among the most notable achievements since the establishment of the IAIS is the completion of the Core Curriculum Project. In 2003, the IAIS and the World Bank established a joint project to develop a comprehensive learning curriculum for insurance supervisors, principally targeting emerging market economies. The project was designed to assist with the implementation of the Insurance Core Principles by developing a comprehensive set of core training materials. While there was a substantial body of knowledge supporting the practice of insurance supervision, it was not available in any type of standardized form nor was there a framework for consistent delivery. To ensure the completion and success of this project, a task

force was formed to help determine a method for selecting authors and reviewers for the course modules and to keep the project on schedule. Qualified authors and reviewers were a critical component of this project and were chosen from different jurisdictions to reflect the diversity of practices and legal structures throughout the world.

Now complete, the Core Curriculum consists of 36 basic-level modules and five advanced level case studies that provide comprehensive training in the principal areas of insurance supervision. All attendees of this conference will be given a CD-ROM containing the training modules and the material will also be uploaded to the IAIS website. The implementation of the Core Curriculum is another step towards building stability in the financial sector by encouraging professional development, capacity building and training for insurance supervisory bodies. As this project is meant to be dynamic over time, it is critical that we engage multinational partners and local partners to make the project sustainable.

To illustrate how important such stability can be, a recent study, completed by the International Insurance Foundation and Chemonics International, assessed how strengthening of insurance markets contributes to economic growth. The report clearly demonstrates the link between insurance, financial sector performance and growth, and in doing so, helps to define the positive insurance and economic growth relationship. A key factor in that relationship is a solid regulatory infrastructure. I believe that the Core Curriculum project will serve as a catalyst to promote the necessary knowledge transfer needed to achieve a strong regulatory framework worldwide. I am hopeful that those participants in the project will continue to stay engaged and to make sure the modules accurately reflect the needs of insurance supervisors globally. And, again I want to thank the World Bank for their foresight, guidance, and financial assistance and the IAIS Task Force in making the Core Curriculum project a reality!

As you may recall, at last year's IAIS Annual Conference in Vienna, we set in motion one of the most challenging projects that the IAIS has undertaken: the move towards a common structure and standards for

the assessment of insurer solvency. The intended goal is to enhance transparency and comparability of insurer solvency and of solvency regimes worldwide. Consequently, this effort will benefit insurance consumers, industry, supervisors, investors and other interested parties. To that end, the IAIS issued a Roadmap paper in February 2006 that builds upon the earlier Solvency Framework and Cornerstones papers. The first deliverable from that Roadmap is the *Common Structure For The Assessment Of Insurer Solvency*. The paper describes the overall IAIS risk based approach to the assessment of insurer solvency, and in particular articulates principles for the setting of financial regulatory requirements. I am most pleased that this project has seen an increased level of interest and participation from both IAIS members and observers. When looked at in the context of Europe's Solvency II project and other moves to principles-based approaches to supervision, it is essential that the Structure Paper establish a robust base for future work in this area. I encourage everyone—supervisors and market participants alike to follow the critical work of the Solvency and Actuarial Issues Subcommittee. This is one of the biggest challenges in our future and will undoubtedly impact insurance supervision worldwide.

As financial markets expand and interdependencies grow, the demand for international consistency in accounting and auditing standards has also increased. The International Accounting Standards Board (IASB) is committed to developing a single set of high quality and enforceable global accounting standards that require transparent and comparable information in financial statements. Insurance supervisors are significant users of insurers' financial statements and are key stakeholders in the development of international accounting standards. Within the IAIS, there is widespread support to achieve a single set of accounting standards that can be used for general purpose financial reporting and regulatory reporting as well. Despite the strength of support within the IAIS, will all the needs of insurance supervisors be integrated in the accounting standards that are eventually adopted? This is one of the many issues that will continue to be addressed.

The significance of the IAIS work and the importance of collaboration between members and observers make procedural transparency more necessary than ever. Through the plethora of meetings, conferences and seminars, the IAIS functions as a “market place” where supervisors and industry participants from around the globe can come together to exchange ideas, concepts, problems and solutions. We should also take pride in our efforts to enhance openness and transparency as an organization but we can always do more.

To that end, I believe that is essential that the IAIS work towards the adoption of a *Standard On Regulatory Transparency And Administrative Procedure*. The adoption and, more importantly, the implementation of such a standard will benefit all jurisdictions that seek to open up their capital and insurance markets. Improvements in regulatory transparency will encourage competition both domestically and internationally and do so for the benefit of our insurance consumers.

Over the years the IAIS has transformed itself into an organization with increasing international recognition, drawing favorable comparisons to the Basel Committee and IOSCO. But we cannot rest on our accomplishments. We must continue to build upon our achievements while at the same time looking to the future. A critical self analysis by the Financial Outlook Task Force is currently underway and among the questions under review are:

- What are the core activities of the IAIS? Standard setting, training and education?
- As an organization can we meet all the demands of our members?
- Should the IAIS be self sufficient with regard to financing?
- Are we operating at peak performance as standard setters? As a secretariat?
- Are we an effective international body? Do we bring a comparable level of gravitas to international debates as does the Basel Committee for example?
- Do we need to consider another organizational framework?

I don't pretend to know all the answers but I know that it is important for us to consider these significant topics. Regardless of the answers, we should take the time during this conference to celebrate the diversity of cultures and traditions that we bring to the IAIS. The IAIS is truly an international organization.

Again, I want to thank you for your participation and would like to extend special thanks to our hosts at the China Insurance Regulatory Commission.