

## IIS Seminar: Insurers Brace for Rapid Regulatory Changes

Regulatory issues are among the hottest topics at the 47th annual seminar of the International Insurance Society in Toronto, where participants are talking about the vast regulatory changes they see coming.

One of the more anticipated presentations will be a Tuesday morning keynote address by Julie Dickson, superintendent of Canada's Office of Financial Institutions. Her comments will be listened to carefully, because Canada's financial market weathered the crisis of the past two years remarkably well.

James Flaherty, Canada's minister of finance, said in the opening keynote address that financial services regulation has become a top priority for governments worldwide following the global financial crisis. He added that Canada, which remained "an island of stability" through the crisis, is now drawing a lot of attention from other governments for what it has done right.

"We are the most stable financial system in the world," he said. "No banks or insurers have been bailed out in Canada."

But Flaherty warns that even Canada cannot escape the effects of problems in other countries, and that ongoing problems such as sovereign debt crises in Europe will have their effect on any financial institution with international reach.

"Canada is refining its capital supervision of insurers," he said. "The European Union has its Solvency II and the U.S. is working on risk-based regulation. It is important that the world's supervisors work together on these issues and get it right."

Flaherty pointed to the efforts of the International Accounting Standards Board and the U.S. Financial Accounting Standards Board to come up with universal rules for accounting for insurance contracts. "They have to get the final product right to ensure there are no unforeseen consequences," he said.

On the international aspects of regulation, Michael Morrissey, president and chief executive of the IIS, told BestWeek ahead of the conference that the IIS is in the thick of rapidly changing events.

The week prior to the IIS seminar found Morrissey in London, where he was representing the organization as the insurance industry representative to a newly formed Group of 20 task force on financial services regulatory convergence. Morrissey joined representatives from accounting and actuarial professions, along with fund management, banking and securities industries among others, who will offer their respective industry points of view to the task force.

"With an organization that has nearly a thousand members from 95 countries gives us the kind of scope that they're looking at," said Morrissey.

That scope includes the effects of regulatory thinking in developing markets.

Yassir Al Baharna, chief executive of Bahrain-based Arab Insurance Group, told BestWeek that a valuable step in regulatory reform for the Persian Gulf region would involve the elimination of

cross-border business restrictions. He said countries including Bahrain, Saudi Arabia and Kuwait have a large number of small domestic insurers chasing a limited amount of available premiums. Cross-border business is mostly forbidden in the region, preventing larger insurers from reaching greater economies of scale.

"Having a large number of companies servicing the markets is inefficient," said Al Baharna. "Part of the conundrum is cross-border insurance, which is nonexistent here in Bahrain or in the Gulf because of the legislation surrounding the business. That is not allowed for the retail side."

Regulation is also on the minds of insurance executives in Africa. Stephen Wandera, chief executive of Kenya's British-American Insurance Co., said regulatory reform is under way, as the Kenyan government adopted a new constitution last year, "which is up to speed with anything else in the world."

The Insurance Regulatory Authority is reviewing Kenya's Insurance Act with an eye to adopting a risk-based approach to insurance supervision. Wandera describes the regulator's aim as a "halfway house" compared with the European Union's Solvency II, as insurers' capacity is not as great as that of European insurers.

He pointed out that British-American is the only Kenyan insurer with its own in-house actuarial department for reporting purposes. Trained actuaries are, in fact, in short supply throughout East Africa and much of the rest of the continent, Wandera said.

The regulator recently published an exposure draft related to the proposed changes and is in consultations with the Kenya Insurers Association, which Wandera chairs.

Arab Insurance Group currently has a Best's Financial Strength Rating of B++ (Good). (Published: BestWire - 06/20/2011).

By David Pilla, international editor, BestWeek: [David.Pilla@ambest.com](mailto:David.Pilla@ambest.com)