

Cooperation between AFIRC and IAIS

- AFIRC opening presentation on 4 November 2013 at Marrakech -

Yoshihiro Kawai

Secretary General, IAIS

Introduction

I would like to thank the AFIRC (Arab Forum of Insurance Regulatory Commissions), and in particular the Moroccan insurance authority for the organisation of this important event in a superb location – Marrakech. Personally this is my first visit to Marrakech. I am impressed by its beautiful scenery and agreeable weather. The IAIS Annual Conference – the most important event for our Association - will take place in this city in October 2015. I am already excited and convinced that it will be an excellent event. Everyone in this room understands that insurance regulation and supervision are a foundation for sound insurance market development not only for the MENA region but also for markets around the world. For the solid development of insurance regulation and supervision, it is critical to understand and implement global best practices. This event is an ideal opportunity for supervisors, as well as industry practitioners, from the MENA region to come together to discuss regulatory best practices and the direction of supervision.

On the occasion of this opening speech, I would like to address the following three matters:

- What the IAIS is - a brief introduction to the IAIS
- How the AFIRC and the IAIS work together – the current working relationship between AFIRC and IAIS
- What the AFIRC and IAIS should do - expectations of the AFIRC and IAIS relationship in the coming years

What the IAIS is

The IAIS is the global insurance regulatory standard setter. Some people say that the IAIS is the insurance version of the Basel Committee for Banking Supervision (BCBS). This interpretation is partly right but partly wrong. It is right because the IAIS is the global supervisory standard setter for the insurance sector, as the BCBS is for the banking sector. It is wrong because the IAIS is composed of almost all supervisory authorities around the world – supervisory authorities from more than 200 jurisdictions; whereas the BCBS is composed of supervisory authorities from only around 30 jurisdictions. There are AFIRC members as members of the IAIS and they play an important role in the Association.

The IAIS owns the Insurance Core Principles (ICPs) – a fundamental and comprehensive benchmark for insurance regulation and supervision since 2000. The current ICPs were developed in 2010 and have been applied to all jurisdictions around the world. The IAIS announced last month one of the key decisions in its history - that it will develop a global risk based quantitative capital standard by

2016. Once developed, this standard will be extremely important not only for supervisors and the insurance industry in the MENA region but for all regions and jurisdictions around the globe.

Another important activity of the IAIS is to encourage the implementation of IAIS standards. The best practice or supervisory standard which is not implemented has no impact on the supervisory system or daily supervision. Thus the implementation of standards is critical for supervisors around the world and for the IAIS. The IAIS promotes the implementation of the ICPs. In the near future, once the capital standard is developed, the IAIS will promote the capital standard in addition to the ICPs. In the implementation of standards, the IAIS supports four initiatives: (1) supervisory education and capacity building; (2) assessment and peer review of standard implementation; (3) financial inclusion; and (4) supervisory cooperation, in particular promoting the MMoU.

Following the recent financial crisis, financial stability has also become a key activity. In this area, the IAIS has recently developed an assessment methodology and policy measures for G-SIIs (Global Systemically Important Insurers) and has supported the FSB (Financial Stability Board) in identifying G-SIIs.

How AFIRC and IAIS work together

The next issue that I would like to discuss is how the AFIRC and IAIS work together. MENA is a dynamically evolving region. AFIRC members are important constituencies of the IAIS. AFIRC members play a key role in the IAIS. Khaled Al Thieb from Saudi Arabia and Hassan Boubrik from Morocco are members of the IAIS Executive Committee – representing the region and coordinating the regional initiatives and IAIS work. Walid Genadry from Lebanon leads IAIS work on supervisory education, and has actively contributed to the IAIS for a number of years. Recently, in particular since the AFIRC was established in 2006, AFIRC members have been increasingly active in IAIS activities. The IAIS also reinforces this collaboration with the AFIRC. Over the last few years I have regularly taken part in AFIRC meetings and the IAIS Chair made a keynote speech at this conference in 2011.

From this year, the IAIS has decided to further strengthen the relationship between the AFIRC and IAIS. At its meeting on 16 October the Executive Committee endorsed a new strategic direction for implementation activities called the Coordinated Implementation Framework which commits the IAIS to reinforce coordination with IAIS members' regional initiatives. As the first step, during the IAIS annual conference last month in Taipei, the IAIS helped to organise a meeting with AFIRC members to reinforce its regional coordination and the relationship between the AFIRC and IAIS. George Brady, Deputy Secretary General, my colleague from the Secretariat in charge of the implementation of IAIS standards is also present at this conference today and tomorrow to support the relationship between the AFIRC and IAIS.

What AFIRC and the IAIS should do in future

At the end of my opening remarks, I would like to propose a way forward to reinforce the relationship between the AFIRC and IAIS.

With the adoption of the Coordinated Implementation Framework, we have strengthened our commitment to work with you and to enhance the relationship between the AFIRC and IAIS. We will actively attend AFIRC meetings regularly from now on. We will work with you through the AFIRC on regional supervisory support, and communicate throughout the year, both in conference calls and in person during the IAIS meetings. The IAIS Secretariat will be always at your disposal to support your regional initiatives and will work to strengthen your supervisory systems.

We also hope that you, supervisors and regulators from this region, take an increasingly active role in IAIS activities. We hope that even more members from the AFIRC will participate more frequently in IAIS activities. The IAIS works hard in areas which are directly linked with your daily work such as education and capacity building, financial inclusion and takaful, and supervisory cooperation and peer reviews; but also in standard setting work on solvency, accounting, reinsurance, governance and market conduct. I encourage you to become more involved in IAIS activities through attending IAIS meetings or seminars.

We also hope that the AFIRC will intensify its own activities. The AFIRC is key not only to developing solid supervisory cooperation in the MENA region but also to developing solid cooperation with supervisors from other regions. Supervisors around the world are increasingly interlinked. Regional coordination is a foundation for enhancing cooperation among supervisors around the world.

Thank you again for giving me this opportunity to speak about the relationship between the AFIRC and IAIS. I look forward to fruitful discussions during the conference and further reinforcing our relationship in the future.