



...an autonomous international association promoting corporate governance in the Middle East North Africa, Central Asia and beyond

**A Corporate Governance Initiative for the
MENA Insurance Industry
Arab Insurance Commissioners Meeting, 5 April 2007**

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Executive Director
Hawkamah

Good Governance, Liberalization & Innovation

- Infancy and Underdevelopment of MENA Insurance: Facts & Trends
- Insurance Sector Core Principles
- CG guidelines in Insurance sector
- IAIS Report on Insurance CG CP Self Assessment
- Governance Building Blocks: Hawkamah Institute for Corporate Governance
- Hawkamah-Insurance Commissioners: CG reform for insurance industry

Insurance underdevelopment in ME & CA: I

Low Penetration and Density Rates (2005)

Total Business	Premium Volume (in millions of USD)		Share of World Market (%)	Insurance Penetration	Insurance Density
				Premiums in % of GDP	Premiums per capita (in USD)
By Region	2005	2004	2005	2005	2005
America	1,280,234	1,228,539	37.37	7.95	1,452.8
North America	1,221,635	1,179,226	35.66	8.97	3,735.1
Latin America & Caribbean	58,599	49,313	1.71	2.35	105.7
Europe	1,287,920	1,206,191	37.6	7.78	1,513.8
Western Europe	1,241,107	1,163,643	36.23	8.44	2,482.8
Central & Eastern Europe	46,812	42,548	1.37	2.66	141.8
Asia	759,779	738,918	22.18	6.83	197.9
Japan	476,481	494,735	13.91	10.54	3,746.7
South & East Asia	266,968	229,690	7.79	4.87	77.9
Middle East & Central Asia	16,330	14,492	0.48	1.45	55.1
Africa	40,025	36,422	1.17	4.8	44.2
Oceania	57,756	54,088	1.69	6.38	1,789.3
World	3,425,714	3,264,158	100	7.52	518.5
Industrialised Countries	2,998,694	2,894,193	87.53	8.96	3,286.8
Emerging Markets	427,020	369,965	12.47	3.58	76.5

Insurance underdevelopment in ME & CA: II

Insurance Penetration & Density in Select Middle East Countries (2005)

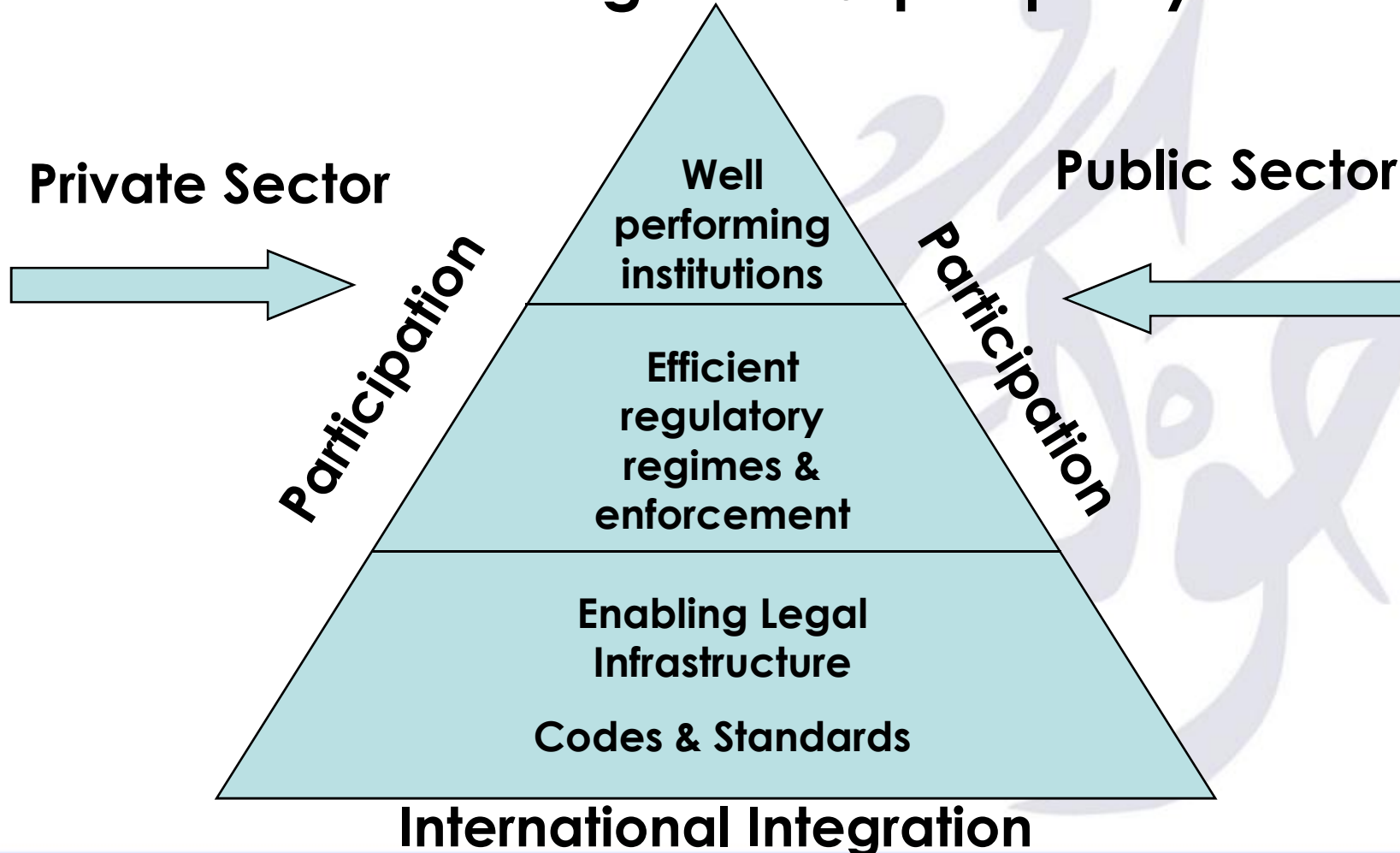
Select Middle East Countries	Insurance Density			Insurance Penetration		
	Premiums per capita in USD in 2005			Premiums in % of GDP in 2005		
	Total	Life	Non-Life	Total	Life	Non-Life
Iran	35.1	2.2	33	1.23	0.08	1.15
UAE	414.2	74.7	339.5	1.53	0.28	1.25
Saudi Arabia	57.1	0.7	56.4	0.46	0.01	0.45
Lebanon	185.6	56.3	129.3	3.15	0.95	2.19
Jordan	54.2	5.7	48.6	2.59	0.27	2.32
Oman	113.7	17.3	96.3	1.14	0.17	0.97
Kuwait	185.5	35.7	149.8	0.79	0.15	0.64
Qatar	442.3	22.2	420	1.09	0.05	1.04

MENA Insurance characteristics

- Insurance in all insurance lines underdeveloped in MENA, comparable to Africa
- Non-life relatively more developed than life
- Limited or no integration with capital markets
- Concerns:
 - Effective insurance supervision
 - Divergent actuarial & accounting practices
 - Capital transparency & solvency practices

Effective CG: integral element of sustainable economic growth & development

Economic growth & prosperity



IAIS Insurance CPs:

- **ICP 1 Conditions for effective insurance supervision:**
- **ICP 2 Supervisory objectives**
- **ICP 3 Supervisory authority**
- **ICP 4 Supervisory process**
- **ICP 5 Supervisory cooperation and information sharing**
- **ICP 6 Licensing**
- **ICP 7 Suitability of persons:**
- **ICP 8 Changes in control and portfolio transfers**
- **ICP 9 Corporate governance: *The corporate governance framework recognises and protects rights of all interested parties. The supervisory authority requires compliance with all applicable corporate governance standards.***
- **ICP 10 Internal control**
- **ICP 11 Market analysis**
- **ICP 12 Reporting to supervisors and off-site monitoring**

IAIS Insurance CPs:

- ICP 13 On-site inspection
- ICP 14 Preventive and corrective measures
- ICP 15 Enforcement or sanctions
- ICP 16 Winding-up and exit from the market
- ICP 17 Group-wide supervision
- ICP 18 Risk assessment and management
- ICP 19 Insurance activity
- ICP 20 Liabilities
- ICP 21 Investments
- ICP 22 Derivatives and similar commitments
- ICP 23 Capital adequacy and solvency
- ICP 24 Intermediaries
- ICP 25 Consumer protection
- ICP 26 Information, disclosure & transparency towards the market
- ICP 27 Fraud
- ICP 28 Anti-money laundering, combating the financing of terrorism (AML/CFT):

Insurance Corporate Governance

- “Good governance practices – including sound risk management and decision-making processes – are a key component of insurance supervision which supervisors expect all insurers to have in place. Effective corporate governance allows the supervisor to place reliance on the work performed by boards of directors, senior management, external auditors and actuaries. In so doing, the supervisory process operates more effectively, facilitating the stability of the insurance industry and hence confidence in the broader financial system and financial stability.” *IAIS establishes insurers’ corporate governance task force, Feb 2007*
- Principal-Agent, asymmetric information and market power issues are complex for insurers. Face technical & non-technical risks
- Only 3 MENA countries, Bahrain (2006), Morocco (2003) & Tunisia (2002) undertook ROSC Report on Insurance Supervision

OECD Guidelines for Governance of Insurers

April 2005 [<http://www.oecd.org/dataoecd/19/10/34799740.pdf>]

1. Identification of Responsibilities
2. Board (s) Structure
3. Functions, Responsibilities of Board (s)
4. Composition & Suitability
5. Accountability
6. Actuary
7. External Auditors
8. Internal Controls
9. Reporting
10. Protection of participating policyholders in the case of mutual insurers
11. Disclosure
12. Redress

OECD Guidelines for Insurance CG

- **Governance Structure: Guidelines 1-7**
 - The governance structure must establish an appropriate division of administrative and oversight responsibilities, stipulate and delineate the qualifications and duties of persons bearing responsibilities, and protect the rights of policyholders and shareholders or “participating policyholders”.
- **Internal Governance Mechanisms: Guidelines 8-9**
 - Insurance entities should have appropriate control, communication and incentive mechanisms that encourage good decision-making power and timely execution, transparency, disclosure and ensure regular review and assessment, having regard to the branches of business operated. These mechanisms should be tailored to the protection of policyholders, beneficiaries and shareholders (or participating policyholders)
- **Stakeholders’ protection: Guidelines 10-12**
 - The governance framework of insurance entities should ensure an appropriate protection of the rights of stakeholders through disclosure and redress mechanisms and the compliance with the basic rights of shareholders or participating policyholders in the case of mutual insurers.

Insurance CG: IAIS ICP 9 (2003)

“The corporate governance framework recognises and protects rights of all interested parties. The supervisory authority requires compliance with all applicable corporate governance standards.”

IAIS ICP 9 on CG: criteria

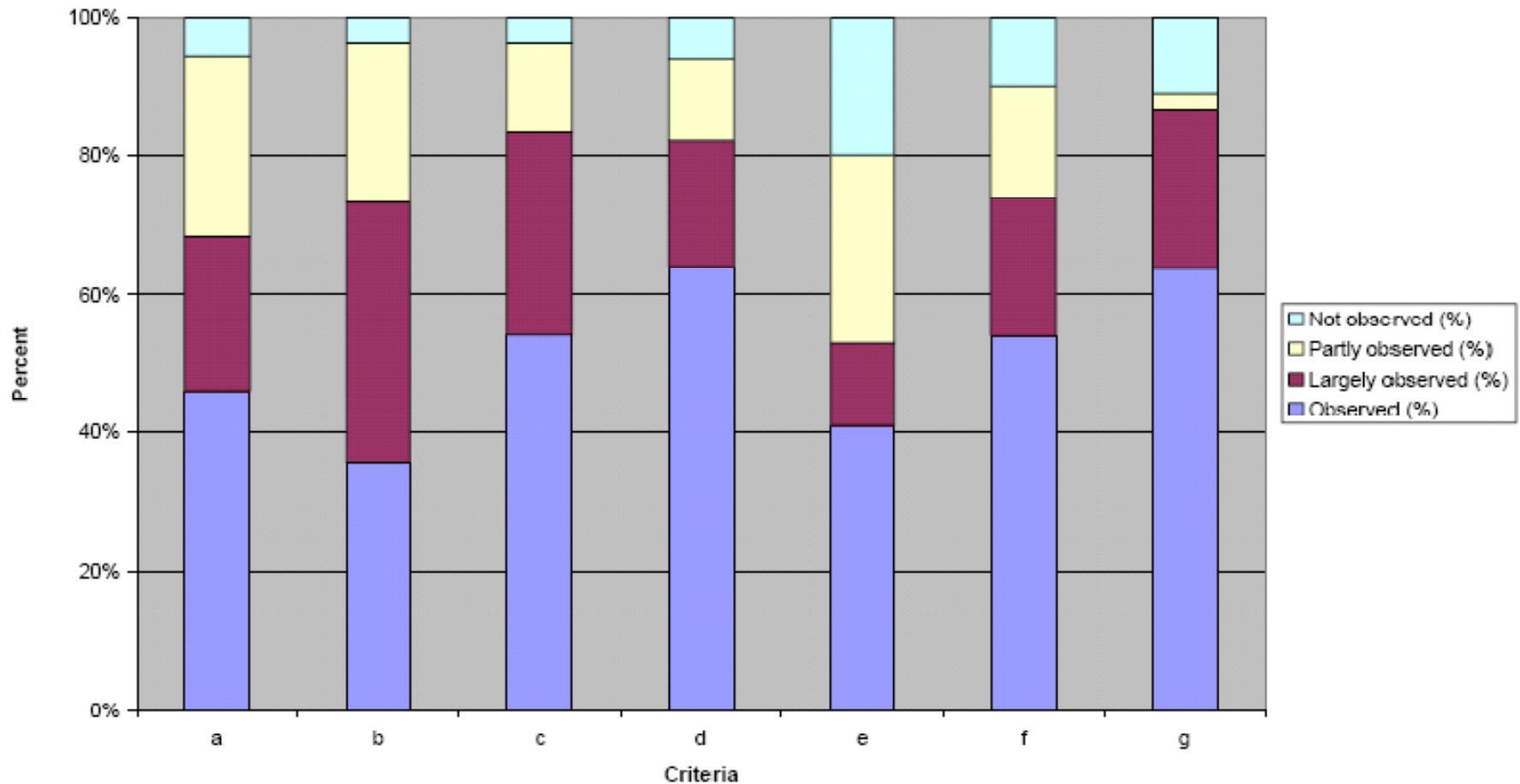
- a. The supervisory authority requires and verifies that the insurer complies with applicable corporate governance principles.
- b. Duties & responsibilities of the board of directors
- c. Responsibility of Senior Management
- d. Establishment of Board Committees
- e. Remuneration policy
- f. Appointment of Compliance Officer
- g. Role of Actuaries

IAIS CP9: CG Self Assessment, 2004/5

Criteria	a	b	c	d	e	f	g
Observed (%)	46	36	54	64	41	54	64
Largely observed (%)	22	30	29	10	12	20	23
Partly observed (%)	26	23	13	12	27	16	2.3
Not observed (%)	5.6	3.8	3.8	6	20	10	11

**IAIS REPORT ON INSURANCE CP SELF-ASSESSMENT EXERCISE, 2004/2005: Fifty-eight jurisdictions completed self-assessment on observance of the Insurance Core Principles as of 1 December 2005.
MENA included: Bahrain, Egypt, United Arab Emirates**

Principle 9: Corporate Governance



Hawkamah-Institute for Corporate Governance

- 'Bridge the CG gap' and serve as a platform for regional co-operation aiming to raise awareness of national, regional and global initiatives
- Assist the countries and companies of the region in developing sound and globally well integrated CG frameworks and implementation of CG reforms
- Monitor the outcomes of CG policies at the public and private sector level.

Hawkamah Institute for Corporate Governance

- First Institute of its kind in the region
- An autonomous international association, hosted by the DIFC and serving the wider MENA region
- Partners: DIFC, OECD, WB-GCGF, IFC, IIF, CIPE, YAL, UAB, countries participating in OECD MENA Investment programme
- Strengthen institutional and capacity building through **Majlis, the Hawkamah Institute of Directors.**
- Source of CG advisory services, technical assistance, monitoring, analysis, research, consultation and reform.
- Foster communication and policy dialogue on CG

Strategic Partners

International Partners

- Organisation for Economic Co-operation and Development (OECD)
- WB-International Finance Corporation
- WB Global Corporate Governance Forum
- Center for International Private Enterprise
- Institute of International Finance (IIF)
- Financial Services Volunteer Corps (FSVC)
- INSOL (Insolvency Professionals)
- Information Systems Audit and Control Association (ISACA)
- Amsterdam Institute of Finance

Other Institutions

- Countries participating in the MENA-OECD Investment Program
- Dubai School of Government
- Young Arab Leaders
- Corporate Governance centers, universities

Regional Partners

- Dubai International Financial Centre
- UAE Ministry of Economy
- Yemen Ministry of Finance
- Emirates Securities and Commodities Authority
- Oman Capital Market Authority
- Union of Arab Banks
- Abu Dhabi Chamber of Commerce and Industry
- Dubai Chamber of Commerce and Industry
- Jordanian Corporate Governance Association
- Central Bank of Jordan
- Jordan Insurance Commission
- Egyptian Institute of Directors/ MOI
- Egyptian Banking Institute/Central Bank of Egypt
- Economic Research Forum
- Oman Economists Association
- Corporate Governance Association of Turkey
- Lebanese Corporate Governance Task Force

Hawkamah Targeted Sectors

- 1. Listed Companies, Capital Markets & Regulatory Authorities**
- 2. Banks, Financial Institutions, Insurance industry, Central Banks & Supervisory Authorities**
- 3. Non-listed companies – Family-Owned Enterprises (FOEs) & Small and Medium Enterprises (SMEs)**
- 4. Public Sector – State-Owned Enterprises (SOEs)**
- 5. Media – Raising Awareness and understanding of CG**
- 6. Academia:, Building Capacity & conducting research on CG**

Activities...

WHAT WE DO:

- Provide advisory services & technical assistance on regulatory and firm levels to develop the optimal corporate governance environment
- Undertake CG assessments of sectors and companies
- Conduct consultations with various stakeholders
- Develop and implement training programs
- Serve as a knowledge centre and clearinghouse for corporate governance best practices from the region and beyond.
- Monitor, Survey & Report on the state of corporate governance

Accomplishments To Date

Since its official launch in Q2-2006, Hawkamah has:

- Addressed over 5,000 market players in conferences, seminars, and workshops all over the Middle East, North Africa (to include Pakistan) advancing corporate governance reform and the role Hawkamah plays in achieving regional buy-in.
- Attracted over 200 members
- Signed 27 MOU's with international and regional partners
- Received institutional support from regulatory authorities and Central Banks of all GCC and ME countries. This diverse constituency includes regulators, banks, chambers of commerce & industry, business associations and others
- Undertaken 2 major surveys on state of CG in GCC and MENA

Accomplishments To Date

- Conducted jointly with the IFC a CEO survey of over 400 firms from all over the Middle East and North Africa on the regional private sector's CG practices and perspectives
- Partnered with ESCA to develop a corporate governance law and established a model for capital market corporate governance codes.
- Participated in the development of the 1st CG code for State Owned Enterprises in Egypt, the first such code of its kind in the Arab world.
- Working with family businesses and listed companies to develop a code of corporate governance based on international best practices.

Accomplishments To Date

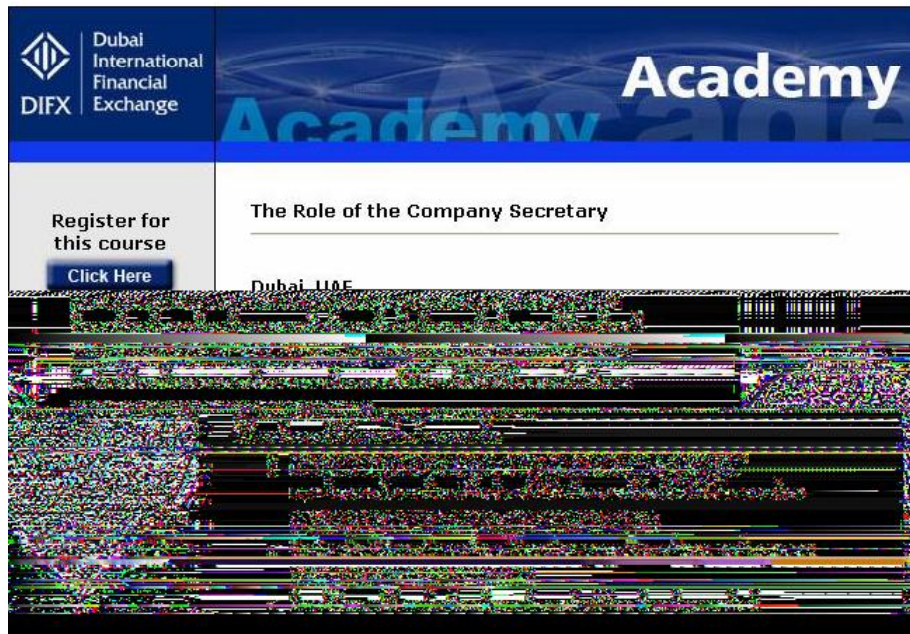
Conducted an assessment of the corporate governance environment in the Gulf Cooperation Countries from an investor's perspective.

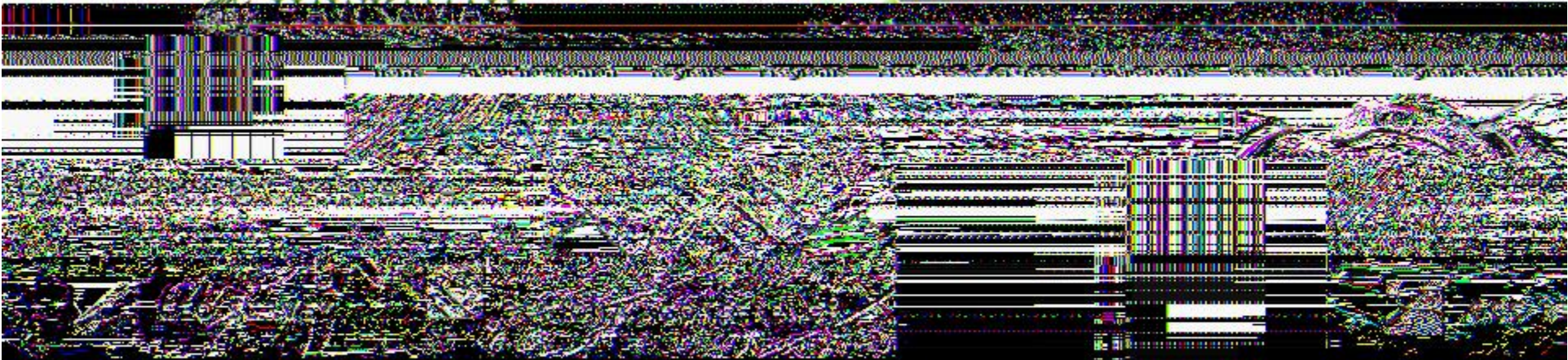
The publication, *IIF/Hawkamah GCC Comparative Corporate Governance Survey* and the six country specific reports, is a result of Hawkamah's meetings with over 100 stakeholders all over the GCC.



Accomplishments To Date

Developed a capability building program to address independent directors, board secretaries, and asset managers.





Info for Corporate Governance

Corporate Governance, sometimes a misnomer, is the system of rules, practices and processes by which a company is directed and managed. It includes the relationships among the many stakeholders involved and the mechanisms for checking and balancing power. Corporate governance is a broad term that encompasses a wide range of issues, from the way a company is run to the way it interacts with its stakeholders.

Media Centre

14 March 2009
Hawkamah and DFM Academy announces first Emirati Development Program
[Read More...](#)

HAWKAMAH

Hawkamah is a leading authority in the field of corporate governance and business ethics. We provide a range of services, including advisory, training and research, to help organisations improve their performance and reputation.

Events

- > 18 February
CEOD/VEVA Working Group Final on Corporate Governance Task Force on Bank's Practising Meeting
- > 20 February
Bank Governance: Role of Women/Experts and Professor
- > 21-22 February
Conference of Family Owned Enterprises
- > 23-25 February
Conference: Corporate Governance and

25 November 2008
HAWKAMAH and DFM Academy announces first Emirati Development Program
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25 November 2008
Governor of the DFC inaugurates HAWKAMAH and DFM Academy's Corporate Governance Conference
[Read More...](#)

22 November 2008
HAWKAMAH and DFM Academy announces first Emirati Development Program
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EMIRATI & CORPORATE GOV

- Resources For...
- > Capital Markets and
- > Banks and Finance
- > Family Enterprise
- > State Owned Enterprise
- > Regional Media

Hawkamah CG Agenda for 2007

- Conduct board development program (English/Arabic/French) in the Maghreb, Levant, and Gulf
- Initiate Majlis, Hawkamah Institute of Directors
- Launch & support with OECD two task forces on CG of Banks and State-Owned Enterprises to engage governments and private sector.
- Launch Module on Insolvency and Corporate Restructuring
- Develop Advisory services
- Conduct media capacity building programs
- Extensive outreach to family owned enterprises through consultation assignments and case study development
- Address CG in the insurance industry

Hawkamah & Insurance Supervisors & Commissions: CG Reform Programme

1. Undertake a CG Assessment of Insurance sector in participating countries
2. Develop an Insurance CG Policy Brief:
 1. Conventional insurance
 2. Takaful
3. Develop CG Guidelines for Insurance sector
4. Build CG Capacity through CG workshops and Board Director Development programmes

Insurance Policy Brief: Proposed timeframe

1. Establishment of Task Force and circulation of fact-finding questionnaire: April 2007
2. Deadline for responses: end-May 2007
3. Circulation of outline of policy brief: July 2007
4. Meeting of Task Force: September 2007
5. Public consultation period: October 2007
6. Finalisation of policy brief at Task Force level: November 2007
7. Task force meeting and launch of policy brief: December 2007

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FOR THE REGION***

www.hawkamah.org

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