



HAWKAMAH

THE INSTITUTE FOR CORPORATE GOVERNANCE

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

Corporate Governance – Walking the Talk Beyond Mere Regulatory Compliance

**1st MENA CEO Insurance Summit
Amman, Jordan
19 June 2007**

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Executive Director
Hawkamah**

Corporate Governance – Walking the Talk Beyond Mere Regulatory Compliance

- MENA Insurance Sector underdeveloped
- 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

MENA Insurance characteristics

- Insurance in all insurance lines underdeveloped in MENA, comparable to Africa: 1.45% of GDP (2005)
- 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
 - 'Corporate governance gap'

MENA Insurance underdevelopment due to

- Barriers to competition and innovation:
 - State monopolies and control of insurance pricing and products
 - Protection of local insurers, restricted market access & limited entry of foreign competition
 - ‘Captive regulators’
- Inadequate development of property rights systems, protection and enforcement
- Inadequate development of housing and mortgage markets
- Lack of modern, enabling legal & regulatory ‘infrastructure’

12 Core Standards for Sound Financial Systems

Macro Standards

1. Data Dissemination
2. Monetary Policy
3. Fiscal Policy Transparency

Agency

IMF
IMF
IMF

Market and Infrastructure

4. Governance

5. Accounting
6. Auditing
7. Insolvency
8. Money Laundering

OECD/ WB

IFAC
IFAD
World Bank
FATF

Financial System

9. Core Principles of Bank Supervision
- 10. Core Principles of Insurance Supervision**
11. Core Principles of Securities Supervision
12. Systemically Important Payment System

BIS

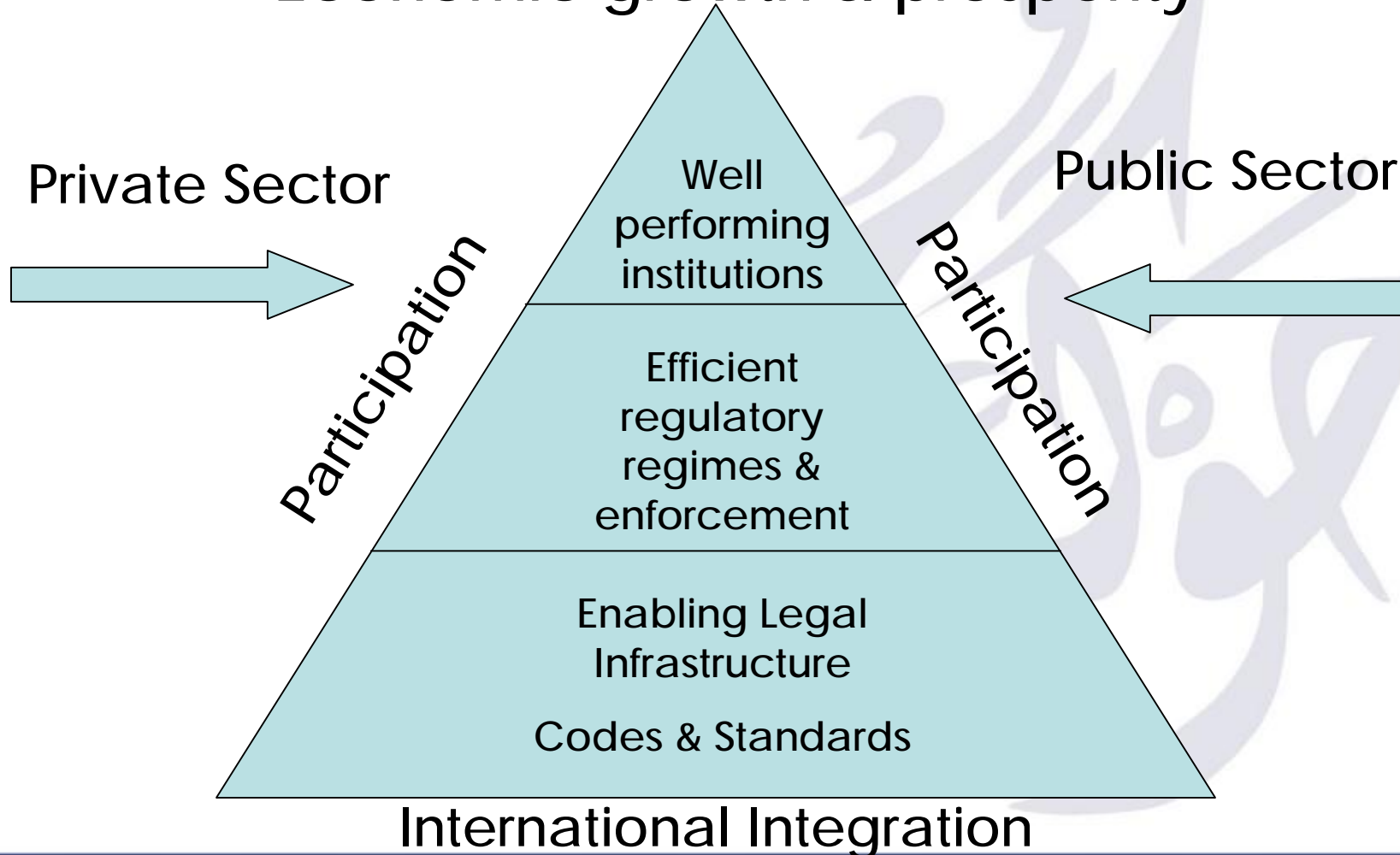
IAIS

IOSCO

BIS

Effective CG: integral element of sustainable economic growth & development

Economic growth & prosperity



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 Corporate Governance

- n “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

- n Principal-Agent, asymmetric information and market power issues are complex for insurers. Face technical & non-technical risks
- n Only 3 MENA countries, Bahrain (2006), Morocco (2003) & Tunisia (2002) undertook ROSC on Insurance Supervision

IAIS Insurance Core Principles (2003)

- Supervision: ICP 1-5
- Insurers & Internal Governance: ICP 6-10
- Compliance & Enforcement: ICP 11-16
- Technical & Market: ICP 17-22
- Stakeholders protection: ICP 23-28

Insurance CG: IAIS ICP 9 (2003)

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

IAIS ICP 9 on CG: criteria

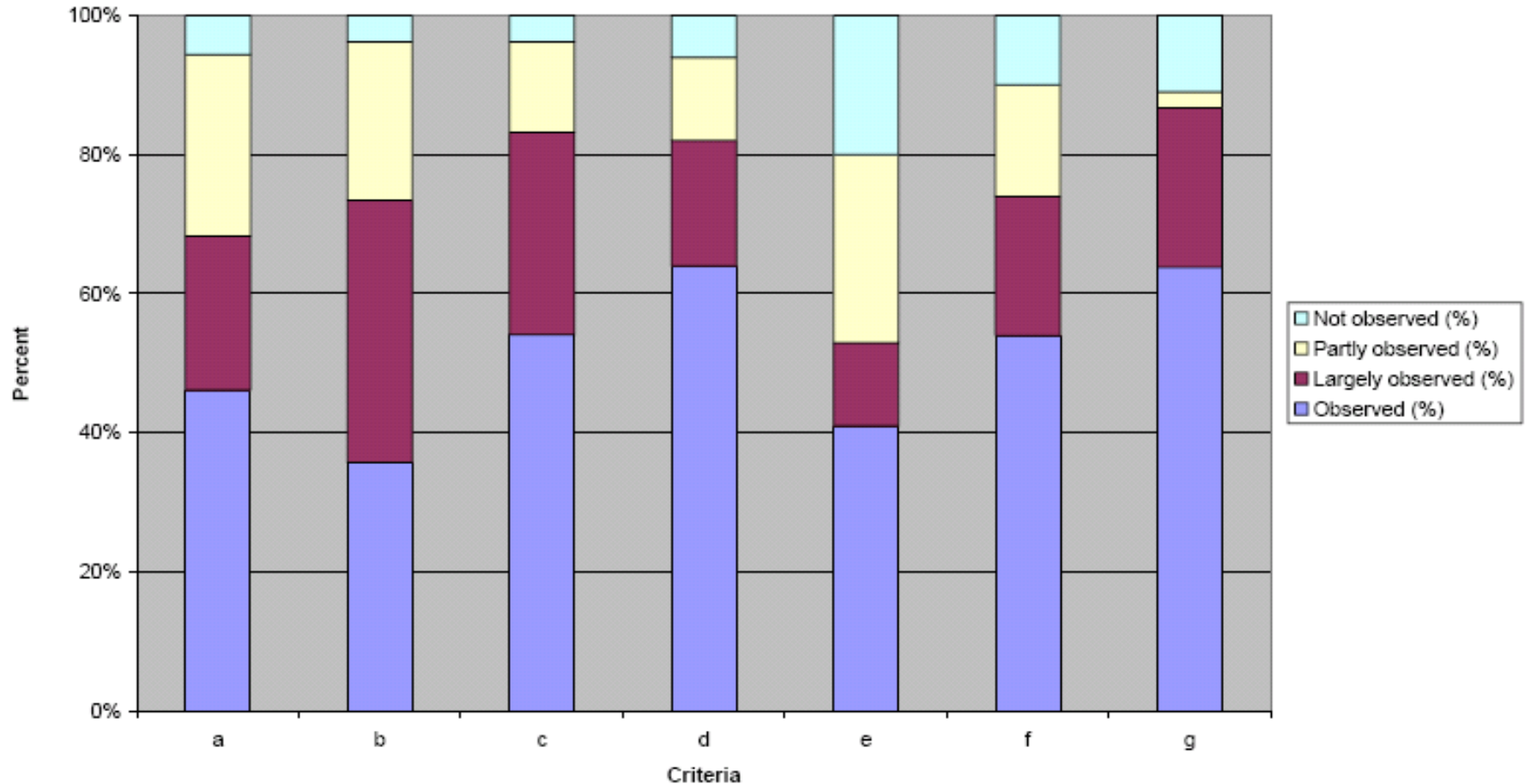
- a. The supervisory authority requires and verifies that the insurer complies with applicable corporate governance principles.
- b. Duties & responsibilities of the board of directors
- c. Responsibility of Senior Management
- d. Establishment of Board Committees
- e. Remuneration policy
- f. Appointment 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	38	29	18	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



IAIS Report comments/issues

- CG Principle revealed a lower level of observance. Although rules were developed, the supervision and inspection of corporate governance issues was at a preliminary or developmental stage.
- Supervisory authorities do not have specific powers to extend, elaborate, or deepen the more generally applying CG regulations in the jurisdiction.
- Criterion (e) on remuneration of directors and senior management has a high level of non-observance; does not get specific supervisory attention and judged that it is a matter for shareholders and boards.
- Criterion (b) has a low level of observance: has a large number of subsidiary points.
- Concept of a designated compliance officer not a feature of regulatory structures: a reason for reporting less than full observance with criterion (f).
- Similarly, a number of respondents that indicated that they did not have a 'responsible actuary' system (criterion (g)). However, they did not rate this criterion as 'not applicable' and preferred to report on the practice that it was observed.

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
- Arab Forum of Insurance Regulatory Commissions' (AFIRC)
- 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

Activities...

WHAT WE DO:

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

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

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.

HAWKAMAH

Director Development Workshop

A Two Day Programme Featuring:

- ◆ Corporate Governance Best Practices for Board Members
- ◆ How to Build Effective Boards (first part of Hawkamah's four-part Director Development Programme)

May 1 - 2, 2007
Dubai, U.A.E.

The Role of the Company Secretary and Corporate Governance Workshop

A one day programme featuring:

- ◆ Compliance for the Company Secretary – DIFC Companies Law
- ◆ The Role of the Company Secretary in Corporate Governance
- ◆ Hawkamah and Corporate Governance in the Region
- ◆ The international perspective on Corporate Governance
- ◆ Does Corporate Governance improve a Firm's Performance
- ◆ Corporate Failures: When Corporate Governance goes wrong

May 23, 2007
Dubai, U.A.E.

Corporate Governance for Investments, Mergers & Acquisitions

**Mitigate your risk
Maximize your return**

May 3, 2007
Dubai, U.A.E.

Offered In Association With:
Hawkamah Institute for Corporate Governance and the Institute of International Finance (IIF)



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Corporate Governance in Saudi Arabia
Corporate Governance in Qatar

find out more

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Hawkamah, the Institute for Corporate Governance

Hawkamah, the Institute for Corporate Governance, constitutes a groundbreaking development for institution building, corporate sector reform, good governance, financial market development, investment and growth in the region.

Hawkamah was created for the region, by the region, and of the region to advance corporate governance reform.

What is Corporate Governance?

Resources For...

- ▶ Capital Markets and Regulators
- ▶ Banks and Financial Institutions
- ▶ Family Enterprises
- ▶ State Owned Enterprises
- ▶ Regional Media

OECD-Hawkamah Task Forces

- ▶ Task Force on Banks
- ▶ Task Force on SOEs

Events

- ▶ **3-4 June**
Workshop: Corporate Governance For Firms (Kuwait)
- ▶ **17-19 June**
Conference: MENA CEO Insurance Summit: "Strategies for Growth & Profitability in the Middle East" (Amman, Jordan)
- ▶ **18-19 June**
Egyptian Institute of Directors Conference: Transparency and

Media Centre

25 April 2007

Arab Insurance Commissioners and Hawkamah Launch Regional Corporate Governance Initiative for the Insurance Industry

[read more...](#)

24 April 2007

MasterCard Supports Hawkamah Institute to Promote Corporate Governance in the Region

[read more...](#)

24 April 2007

HAWKAMAH and DIFX Academy to Provide Workshop for Company Directors with Focus on Efficiency and Corporate Governance

Hawkamah & Arab Forum of Insurance Regulatory Commissions: CG Reform Programme

1. MOU agreed to promote and improve CG in the insurance industry
2. Undertake a CG Assessment of Insurance sector in participating countries
3. Develop an Insurance CG Policy Brief:
 - a. Conventional insurance
 - b. Takaful/Re-Takaful
4. Develop CG Guidelines for Insurance sector
5. Build CG Capacity through CG workshops and Board Director Development programmes

Insurance Policy Brief: Proposed timeframe

1. Meeting in Bahrain with AFIRC and launch of the Insurance Task Force on CG – April 2007
2. Establishment of Task Force and circulation of fact-finding questionnaire: May – June 2007
3. Deadline for responses: End-June 2007
4. Circulation of outline of policy brief: August 2007
5. Meeting of Task Force: September 2007
6. Public consultation period: October 2007
7. Finalisation of policy brief at Task Force level: November 2007
8. Task force meeting and launch of policy brief: December 2007

Partner with us in
BUILDING INSTITUTIONS
FOR THE REGION

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