



**AFIRC-Hawkamah
Policy Brief on Corporate Governance
for the Insurance Industry
in the MENA Region**

Media Roundtable
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Agenda

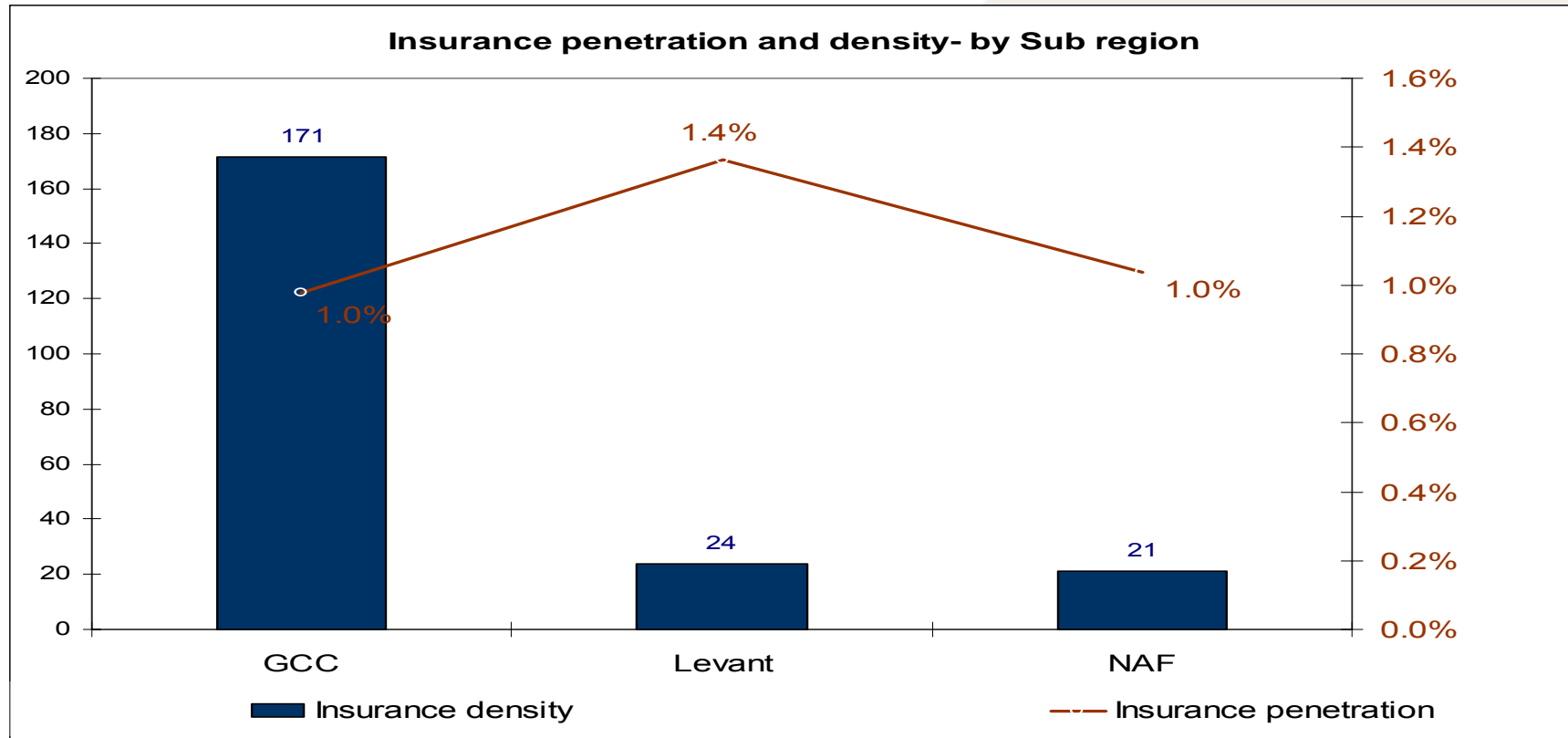
- **MENA Insurance: Facts & Trends**
- **AFIRC - Hawkamah Taskforce on Corporate Governance for the Insurance Industry in the MENA region**
- **Implementing CG Reform Measures**

MENA Insurance Severely Underdeveloped with one of the Lowest Penetration & Density Rates in the world (2007)

Total Business Region	Premiums (in USDmn) 2007	Real growth 2007	Share of world market (in %) 2007	Insurance Penetration	Insurance Density
				Premiums in % of GDP 2007	Premiums per capita (in USD) 2007
America	1,417,463	2.5	34.91	7.58	1,573.3
North America	1,330,066	2.1	32.75	8.71	3,984.8
Latin America and Caribbean	87,397	9.6	2.15	2.54	154.1
Europe	1,680,693	3.4	41.39	8.03	1,962.4
Western Europe	1,606,324	3.0	39.56	8.85	3,138.1
Central and Eastern Europe	74,369	12.9	1.83	2.78	228.6
Asia	840,601	4.5	20.70	6.20	210.7
Japan & newly industrialised Asian econ.	640,754	1.9	15.78	10.38	3,018.1
South and East Asia	176,654	15.9	4.35	3.05	51.0
Middle East and Central Asia	23,193	9.3	0.57	1.45	75.4
Africa	68,818	3.9	1.69	6.58	2,059.5
Oceania	53,294	2.8	1.31	4.31	55.3
World	4,060,870	3.3	100.00	7.49	607.7
Industrialised countries	3,646,523	2.5	89.80	9.05	3,577.2
Emerging markets	414,347	11.8	10.20	2.75	72.8
OECD	3,586,703	2.2	88.32	8.65	2,948.1
G7	2,852,637	1.7	70.25	9.22	3,860.5
EU, 15 countries	1,527,535	3.1	37.62	9.16	3,668.0
NAFTA	1,347,482	2.2	33.18	8.34	3,060.2
ASEAN	41,358	12.7	1.02	3.17	78.7

Source: Swiss Re, Economic Research & Consulting, sigma No. 3/2008

Insurance Penetration and Density



- 1.03% Insurance penetration (0.87% Non Life and 0.17% Life) compared to 7.5% worldwide
- US\$ 41 insurance density against US\$ 555 worldwide
- GCC represented the highest insurance density

Source: ARIG 2008

Regulations and Associations in the MENA

Regulations and Associations Fact Box

Country	Regulatory Law or Reference Work, date of Publication	Regulator and/or Supervisor	Industry Association
Bahrain	Insurance Rulebook, April 2005	Bahrain Central Bank www.cbb.gov.bh/cms/rule/index.jsp?action=article&ID=20	Bahrain Insurance Association www.bia-bh.com
KSA	Cooperative Insurance Companies Control Law of 2003 www.mof.gov.sa/en/docs/rules/Doc/Cooperative%20Insurance%20Companies-En.doc	Saudi Arabian Monetary Agency www.sama.gov.sa/en/insurance/	N/A
Kuwait	Insurance Law, 1961	Ministry of Commerce and Industry http://www.moci.gov.kw/	Kuwait Insurance Companies Union c/o general manager, Kuwait Insurance Company
Oman	Insurance Companies Law, March 1979 www.omancma.org/template/?c=2&s=360	Oman Capital Markets Authority www.omancma.org/en/default.aspx	Oman Insurance Association (under formation)
Qatar	Emiri Decree No. 1/1966; QFC regulations	Qatar Financial Centre Authority www.qfc.com.qa/regulatory/index.asp	n/a
UAE	The Federal Law No 9 of 1984 concerning insurance companies	Insurance Companies Division at UAE Ministry of Economy (via www.government.ae) Dubai Financial Services Authority (for entities registered at Dubai International Financial Center) www.dfsa.ae/dfsa/	Emirates Insurance Association www.eia.ae
Algeria	Ordinance No. 95/07 of January 1995, amended by Law No. 06/04, Feb 2006	Ministry of Finance www.finances-algeria.org/dgsep/index.htm National Council of Insurance www.cna.dz/	Union Algérienne des Sociétés d'Assurance et de Réassurance (UAR) www.uar.dz/
Egypt	Act No 10 of 1981, amended by Law 118 of 2008 www.eisa.com.eg/legislat.htm	The Egyptian Insurance Supervisory Authority www.eisa.com.eg/	Egyptian Insurance Federation www.ifegypt.com/en/
Libya	Insurance Law No. 3 of 2005	Libyan Insurance Department	n/a
Morocco	Insurance Code www.finances.gov.ma/textes/assurances1.htm	La Direction des Assurances et de la Prévoyance Sociale (DAPS), Ministry of Economy and Finance, www.finances.gov.ma/Ministere/direction/daps.htm	Fédération Marocaine des Sociétés d'Assurances et de Réassurances (FMSAR) www.fmsar.org.ma/fede/index.htm
Tunisia	Insurance Code No. 92-94, March 1992, amended by Code No. 2002-37 www.marchespublics.gov.tn/lois_fr/loi_92-24.htm	Conseil Général des Assurances (CGA) Tunisian Ministry of Finance www.portail.finances.gov.tn/	Conseil National des Assurances (CNA)
Iraq	Insurance Business Regulation Act of 2005	Iraq Insurance Diwan (IID) www.iraqinsurance.org/english/index.asp	Insurance Association of Iraq (proposed)
Iran	Iran Insurance Act, September 2000 www.centinsur.ir/frmContents_en-IR.aspx?CategoryID=231	Central Insurance of Iran (Bimeh Markazi Iran) www.centinsur.ir/frmHome_en-IR.aspx	n/a
Jordan	Insurance Supervision Act (33), 1999, amended on minimum capital requirements by Reg. 73, 2005 www.irc.gov.jo/doc/Insurance-Regulatory-Act-English.pdf www.irc.gov.jo/doc/PIOD/Regulation_No_73_of_2005.pdf	Jordan Insurance Commission www.irc.gov.jo/home.asp	Jordan Insurance Federation www.joif.org
Lebanon	Insurance Law 9812 of 1968, amended by Law 94 of June 1999.	Insurance Control Commission at Ministry of Economy and Trade www.economy.gov.lb/MOET/English/Panel/Insurance/ICC.htm	Association des Compagnies d'Assurances au Liban (ACAL) www.acal.org.lb/
Syria	Insurance Law No 43 of 2005	Syrian Insurance Supervisory	Syrian Insurance Federation

AFIRC – Hawkamah Task Force on Corporate Governance for the Insurance Industry Objectives:

1. To undertake a corporate governance assessment of the insurance sector in participating Arab countries
2. To develop an Insurance Corporate Governance Policy brief including both conventional insurance and “Takaful”
3. To develop a corporate governance framework & guidelines for the insurance sector
4. To build the corporate governance capacity of the industry
5. To provide the sound basis for the development of the insurance industry

AFIRC, Hawkamah and partner FSVC, launched
Regional Task Force

1. AFIRC-Hawkamah MOU Signing (*April 2007*) ✓
2. Launch of the Task Force (*May 2007*) ✓
3. Design the Survey (*May 2007*) ✓
4. Collect and Analyze the Data (*Sep – Oct 2007*) ✓
5. Draft the Policy Brief (*Nov 07 – Feb 08*) ✓
6. 1st TF Meeting for Guidance on Policy Brief (*March 2008*) ✓
7. External Consultation (*April 2008*) ✓
8. 2nd TF Meeting to discuss the Policy Brief (*Oct 08*) ✓
9. Presentation of Policy Brief to AFIRC members (*Oct 08*) ✓
10. Finalize Policy Brief (February 2009) ✓
- 11. *Launch of the Policy Brief (March 2009)***
- 12. *Dissemination and Implementation***

Policy Brief on Corporate Governance for Insurance Industry

Contents:

- **Executive Summary**
- **Introduction**
- **Broad Principles of Corporate Governance and Its Particular Importance to the Insurance Industry**
- **Main Issues for Reform in MENA Corporate Governance**
- **Recommendations for Regulatory Commissions and Insurance Companies Committed to Good Corporate Governance**
- **Observations on Shari'a-Compliant Insurance**
- **Next Steps in Implementation of the Policy Brief**

Common Characteristics of Insurance Companies in MENA

- Lack of guidance on how CG practices should be implemented
- Audit Committee - Only mandated Committee
- Ownership Structure: FOES/SOES
- Lack of executive succession planning within FOES
- Lack of Disclosure
- Need of skilled Board members with financial services industry knowledge
- Shortage of Actuarial Services

Main Issues for Reform in MENA Corporate Governance (1)

- **Commitment** to good CG practices is perhaps the single most important element of effective implementation and compliance
- **A uniform definition of what CG** entails must be agreed upon before CG can be in place and operative throughout the MENA region

70% of respondents indicated that CG deserves special attention in the insurance industry.

Main Issues for Reform in MENA Corporate Governance (2)

- **Legal and regulatory systems** must be brought into greater harmonization

85% of respondents indicated that it would be desirable for their countries to develop CG principles that exclusively, or mainly, focus on the insurance industry

Main Issues for Reform in MENA Corporate Governance (3)

➤ Need for **Qualified and Independent Board Members**

Only 29% of respondents indicated that there is a definition of independent director in their country's legal framework of corporate governance or in the statutory documents of their insurance firms

57% of respondents indicated that their Boards do not undertake formal annual evaluation of their own performance

➤ Need for **Qualified and Independent Actuaries**

Main Issues for Reform in MENA Corporate Governance (4)

- **Insurance ownership structures must have high levels of transparency and disclosure**

Prominence of State-Owned & Family-Owned Structures

- **Effective internal controls and risk management should be ensured by qualified internal and external auditors**

Summary of Task Force Recommendations for Reform in MENA Insurance Corporate Governance

- ✓ **The need for regulation & supervision**
- ✓ **To develop and adopt uniform insurance corporate governance guidelines**
- ✓ **To ensure full compliance with IAIS Insurance Principles**
- ✓ **To adopt International Financial Reporting Standards (IFRS)**
- ✓ **Capacity building for directors and senior Management and Shari'a Board Members (Shari'a Compliant Insurance)**
- ✓ **To enhance transparency & disclosure**

Implementing CG Reform Measures

- ✓ **Dissemination of AFIRC-Hawkamah Policy Brief to Regulators and Insurance companies across the MENA Region (including an Arabic Version).**
- ✓ **Conduct follow-up training workshops & seminars during 2009 to build capacity and understanding**
- ✓ **Ongoing process of shaping and strengthening legislation and implementation**

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***BUILDING INSTITUTIONS
FOR THE REGION***

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