

Policy Brief on Corporate Governance in the MENA region's Insurance Industry Released by AFIRC and Hawkamah

Authors hope the Policy Brief will support the development of good Corporate Governance for the insurance industry in the MENA region



The Hawkamah Institute for Corporate Governance (Hawkamah) and the Arab Forum of Insurance Regulatory Commissions (AFIRC) today announced the release of the Policy Brief on Corporate Governance for the Insurance Industry in the Middle East and North Africa (MENA) region.

It is hoped that the recommendations contained in the Policy Brief will form the basis for creating a minimum standard for the MENA insurance sector as agreed upon by the region's insurance industry regulators.

The Policy Brief concluded that insurance companies operating in the MENA region have varied strengths and currently face significant challenges in view of the ongoing global financial crisis. The strengths include recognition of the importance of

the role of the financial services sector, of maintaining a strong reputation and financials, and of making a contribution to the community. Many institutions have demonstrated their commitment to accountability, transparency, and fulfilling obligations to their stakeholders and policyholders.

Concurrently, many companies face challenges in achieving proper corporate governance as defined by leading international professional and regulatory agencies. Such challenges also exist in most other regulated markets and are often based on accepted practices within those markets.

The actionable items outlined by the Policy Brief include committing to good corporate governance; good board practices; adopting and maintaining minimum levels of transparency and disclosure; ensuring an effective control environment; and protection of policyholders and shareholders rights.

Dr. Nasser Saidi, Member of the Board of Hawkamah said: "The lack of good corporate governance contributed to the current global financial crisis, which has affected the insurance industry. The need for the global insurance industry to implement sound corporate governance practices is all the more pressing in view of the crisis. This is particularly so in the MENA region, where the insurance industry, both conventional and Islamic, has been underdeveloped, but is now growing fast. Within the MENA region, the rapid rise of Shari'a-compliant insurance and re-insurance provides an additional incentive for strong standards to be quickly developed."

Promising sustained action, Dr. Saidi said: "The Hawkamah-AFIRC Task Force and its partners, including representatives from the MENA insurance industry whose diligent work resulted in the publication of the Policy Brief are committed to disseminating its recommendations and guidance throughout the MENA region. That commitment will go beyond simply publishing the document and ensuring its wide distribution. Hawkamah and AFIRC intend to hold a series of workshops and training sessions in the region, and work with local insurance executives and regulators to find the best ways to implement its recommendations."

Dr. Bassel Hindawi, Director General of the Insurance Commission of Jordan and Chairman of AFIRC said "Corporate Governance has become one of the most vital economic issues worldwide. Commitment to corporate governance standards will reflect positively on the management of the insurance companies, by efficient use of its resources, improve market competitiveness, and strengthening the stability of financial markets."

On the goal of the initiative, Dr. Hindawi commented: "AFIRC launched an initiative with Hawkamah to develop a policy brief on the practical implementation of corporate governance best practices, whilst taking into consideration international standards."

Dr. Hindawi added: "The recommendations of the Policy Brief should be viewed as areas for improvement region-wide, as opposed to an attempt to identify specific problems within a particular company or country. The work is also intended to complement the efforts of other organisations working on these issues, for example the International Association of Insurance Supervisors (IAIS), the Islamic Financial Services Board (IFSB) and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)."

AFIRC was established in September 2006 to support cooperation between Arab Insurance Commissions. The organisation exchanges information and expertise, and conducts joint programmes to provide technical assistance and training to the staff of these commissions. It also works with relevant international and regional organisations, in particular the International Association of Insurance Supervisors (IAIS) to set standards for insurance supervision. Members of AFIRC include Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Mauritania, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen. The Forum is currently chaired by Jordan.

Andrew Cunningham, FSVC Managing Director and Head of Middle East Programs, said: "FSVC has been delighted to work with local partners, AFIRC and Hawkamah on this issue of vital

importance for the development of the insurance sector throughout the region. The adoption of minimum corporate governance standards by insurance regulators in the MENA region is the most effective means to ensure that international best practices are applied, enabling the sector to expand successfully and integrate better to the global economy. The development of the Policy Brief represents effective cooperation and communication among regulators and financial institutions and is a significant first step toward regional harmonization. The implementation of these recommendations not only will strengthen the insurance sector, but also bring benefits to the functioning of the overall financial system in support of greater economic growth.”