

Sound Corporate Governance Vital for MENA's Insurance Industry, Say Speakers at Hawkamah Workshop



HE Ahmed Humaid Al Tayer, Governor, DIFC



HE Sultan Bin Saeed Al Mansoori, the UAE Minister of Economy

Under the patronage of HE Sultan Bin Saeed Al Mansoori, the UAE Minister of Economy, Hawkamah, the Institute for Corporate Governance today held a Workshop focused on corporate governance best practices in the Middle East and North Africa's (MENA) insurance industry.

Under the theme 'The Changing Landscape in the Insurance Industry', the Workshop explored the main challenges facing the insurance sector and the governance practices that can build trust and credibility in the industry.

Speakers at the Workshop stressed on the need for implementing sound corporate governance in line with international standards in order to realise the MENA insurance industry's vast potential for growth.

Delivering the Key Note Address, HE Sultan Bin Saeed Al Mansoori, the UAE Minister of Economy said the insurance and financial sector should be at the forefront of adopting modern corporate governance and transparency measures. "From a wide perspective, the insurance sector is where the public puts their faith in. It is their hedge against the uncertainties in

the world. The insurance sector is a critical pillar in the overall functioning of the market. A strong insurance sector implies robust economic fundamentals," he said.

He said the Securities and Commodities Authority issued the Regulation for Corporate Governance and Institutional Discipline Standards for public joint stock companies in April 2007 as part of its efforts to raise transparency and disclosure. "This was based on the Authority's commitment to its mission of developing the markets, in line with the global emphasis on corporate governance standards. The regulation took into consideration the UAE market realities too, and also derived synergies from the learning of other countries in corporate governance practices," he said. The Minister further added that the Authority outlined a transitional period of three years for making the implementation of these standards obligatory for all concerned companies.

Delivering the Welcome Note at the Workshop, HE Ahmed Humaid Al Tayer, Governor of DIFC called on "lawmakers, regulators, companies, and stakeholders in the MENA region's insurance industry to express a firm commitment to raising standards of corporate governance." All key players need to participate in and support the development of higher standards," he stressed. He further said that MENA insurance companies need to harmonise their understanding and implementation of corporate governance with international standards and vigilantly monitor compliance. "The management of insurance companies should build strong corporate governance frameworks that create an empowered Board of Directors, a solid control environment, increased levels of transparency and disclosure and well-defined shareholders," he added.

Speaking about DIFC's support for corporate governance development, HE Ahmed Humaid Al Tayer said: "Here in DIFC, we clearly recognise the vast potential of the insurance industry and the role of robust regulations and corporate governance in driving its growth. Accordingly, we have created a clear and transparent legal and regulatory regime that supports strong corporate governance. DIFC's world-class prudential rules for

insurers, re-insurers and captives are in line with the highest international standards of regulation and supervision. Dr. Nasser Saidi, Executive Director of Hawkamah and Chief Economist of the DIFC Authority called on insurance regulators and commissioners in the Middle East and North Africa region to implement corporate governance reform. Regulators, he said, should work to ensure the development of well-regulated insurance markets and provide ongoing supervision. He urged regulators to encourage companies to adopt the corporate governance principles outlined by the **International Association of Insurance Supervisors** (IAIS) for insurance companies and to adopt uniform insurance corporate governance standards and guidelines. He also called on regulators in the region to upgrade insolvency laws.

At an industry level, he said the region's insurance sector should take efforts to ensure that accounting, actuarial and auditing standards are comprehensive, documented, transparent and consistent with international standards. He stressed on the importance of the insurance industry to adopt International Financial Reporting Standards (IFRS); the guidelines of the Islamic Financial Services Board (IFSB); and the standards of the **Accounting and Auditing Organization for Islamic** Financial Institutions (AAOIFI) for Shari'a compliant insurance.

This Workshop formed part of Hawkamah's wider initiative to raise corporate governance standards in the insurance sector in the MENA region. In 2007, Hawkamah established a MENA Corporate Governance Task Force with a mandate to develop a set of corporate governance guidelines for the insurance sector and build the corporate governance capacity of the industry. The Task Force, comprised of members of the Arab Forum of Insurance Regulatory Commissions (AFIRC) and private sector representatives, has contributed significantly to identifying the corporate governance challenges of the insurance industry in the region and provided vital recommendations for industry development. In March 2009, the Task Force issued the Hawkamah-AFIRC Policy Brief on Corporate

Governance for the Insurance Industry, which outlined basic corporate governance standards for the insurance sector in MENA.

Key issues that were discussed at the Workshop included the role of regulators; corporate governance reform; duties and liabilities of directors and officers; **Risk Governance, Roles and Responsibilities of the Board and the Risk Culture**; and the role of corporate governance in preventing financial crime, including money laundering, terrorism financing, market abuse and fraud.. The workshop was designed to be of particular relevance to directors, senior managers, compliance officers and insurance professionals in the MENA region.

