

Protecting consumers
Promoting markets
Enforcing law

Current challenges in insurance supervision

Elisabeta Gjoni
Chairperson – AMF Albania

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markets developments and issues

supervision issues

Albania – case study

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market development
regional spotlight
issues in developing countries

data 2007*

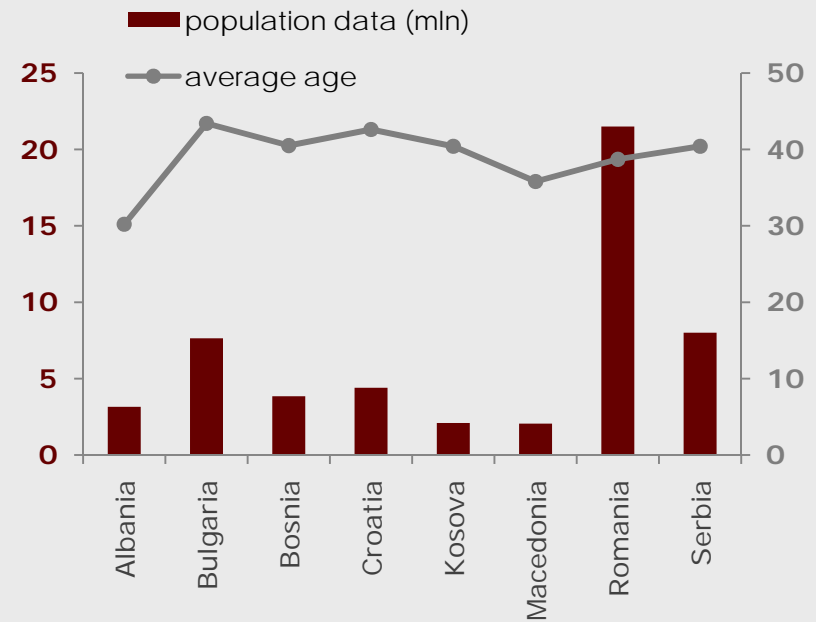
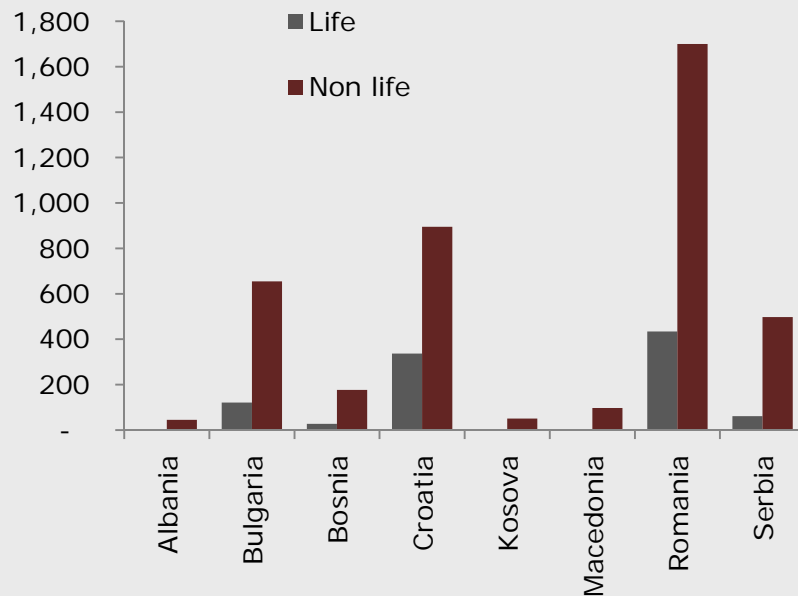
worldwide figures

population	6.7 bln
total insurance premiums	USD 4,061 bln
life insurance share over total	59%
premium /capita	USD 606

SEE countries spotlight

population 52 mln
 total premiums – Euro 5.1 bn
 life insurance - 19% of total premiums
 4 countries generate 92% of premiums

insurance premiums
in Euro mln



* source: Swiss re, public information from respective countries

Developments in the major insurance markets in 2007

	Life Premiums		Non-life premiums		Total premiums	
	USD bn	Change* vs 2006	USD bn	Change* vs 2006	USD bn	Change* vs 2006
Industrialised countries	2 174	4.7%	1 472	-0.3%	3 647	2.5%
United States	578	5.5%	651	-1.3%	1 230	1.8%
Japan	331	-3.6%	94	-1.6%	425	-3.2%
United Kingdom	350	22.5%	114	-2.3%	464	15.3%
Germany	102	-1.3%	120	-1.4%	223	-1.3%
France	187	-4.3%	82	0.5%	269	-2.9%
Italy	88	-13.6%	54	0.1%	142	-8.8%
Newly industrialised Asian economies**	163	15.5%	53	9.7%	216	14.0%
Emerging markets	219	13.1%	196	10.2%	414	11.8%
Latin America and Caribbean	36	11.4%	52	8.3%	87	9.6%
Brazil	18	15.5%	21	6.1%	39	10.3%
Central and Eastern Europe	18	17.0%	56	11.7%	74	12.9%
Russia	1	30.3%	29	16.2%	30	16.6%
South and East Asia	124	16.8%	53	13.9%	177	15.9%
China	59	18.6%	34	19.7%	92	19.0%
Middle East and Central Asia	6	8.7%	17	9.6%	23	9.3%
Africa	38	3.4%	15	0.6%	53	2.8%
World	2 393	5.4%	1 668	0.7%	4 061	3.3%

Notes: * in real terms, ie adjusted for inflation.

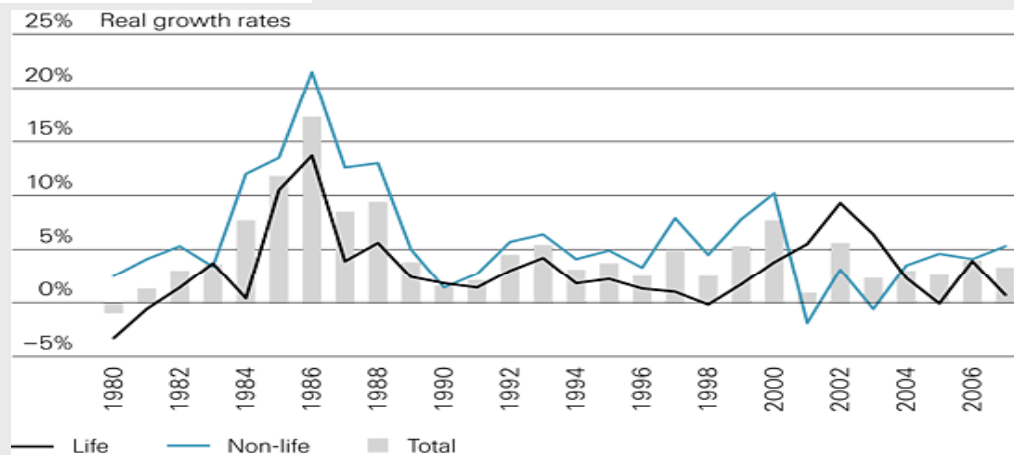
** Hong Kong, Singapore, South Korea, Taiwan

Sources: final and provisional figures released by supervisory authorities and insurance associations, and some estimates.

2007 rate of real insurance growth

worldwide		
total:		3.3%
life:		5.4%
non life		0.7%
emerging markets		
total:		11.8%
life		13.1%
non life		10.2%

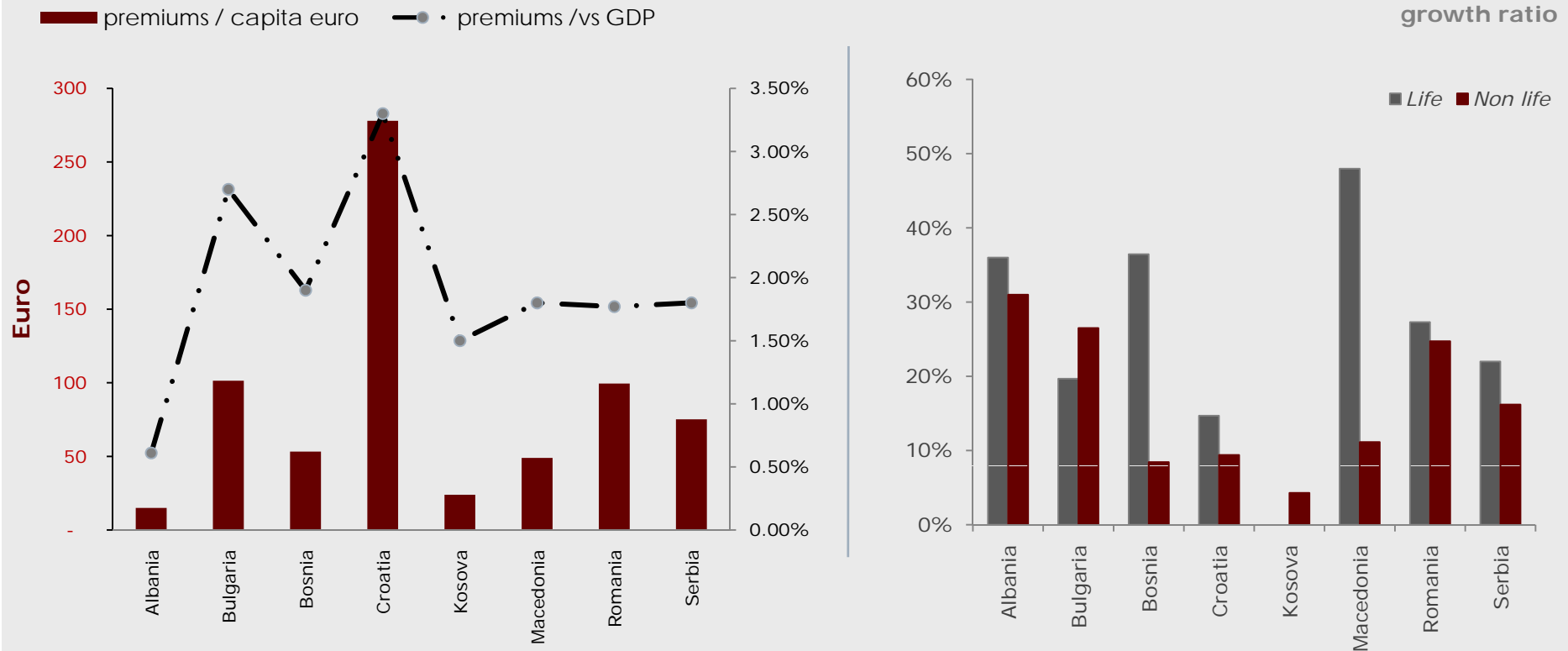
worldwide trend of growth



source: Swiss re sigma publications

SEE spotlight – penetration & growth rates

2007*



* Source: official publications from respective countries and Swiss Re

developing markets - insurance market features

- low contribution to country's economy and wealth (-)
- unsatisfactory level of insurance education and awareness (-)
- domination of compulsory MTPL / unfair competition (-)
- underdevelopment of life insurance & private pensions (-)
- weak corporate governance / risk management policies (-)
- lack of catastrophe insurance programs from insurers and countries (-)
- limited types of investments (-)
- **increasing trend of growth, more observed in life insurance (+)**
- **improvements in market infrastructure & regulation (+)**
- **Increasing presence of cross border insurance (+)**

potential for quick growth in developing countries

- economic stability / emerging markets growth rates / relatively high saving rates
- lessening political risk / enhanced institutional strengths / improved regulation
- quick development of banking & other financial sectors
- increasing FDI / large projects of infrastructure, energy, other
- **expanding cross border businesses of all kinds**



foreign insurance investments

new capital
 new products
 technical expertise
 corporate governance
 quality of service / consumer attraction
 image of insurances to population

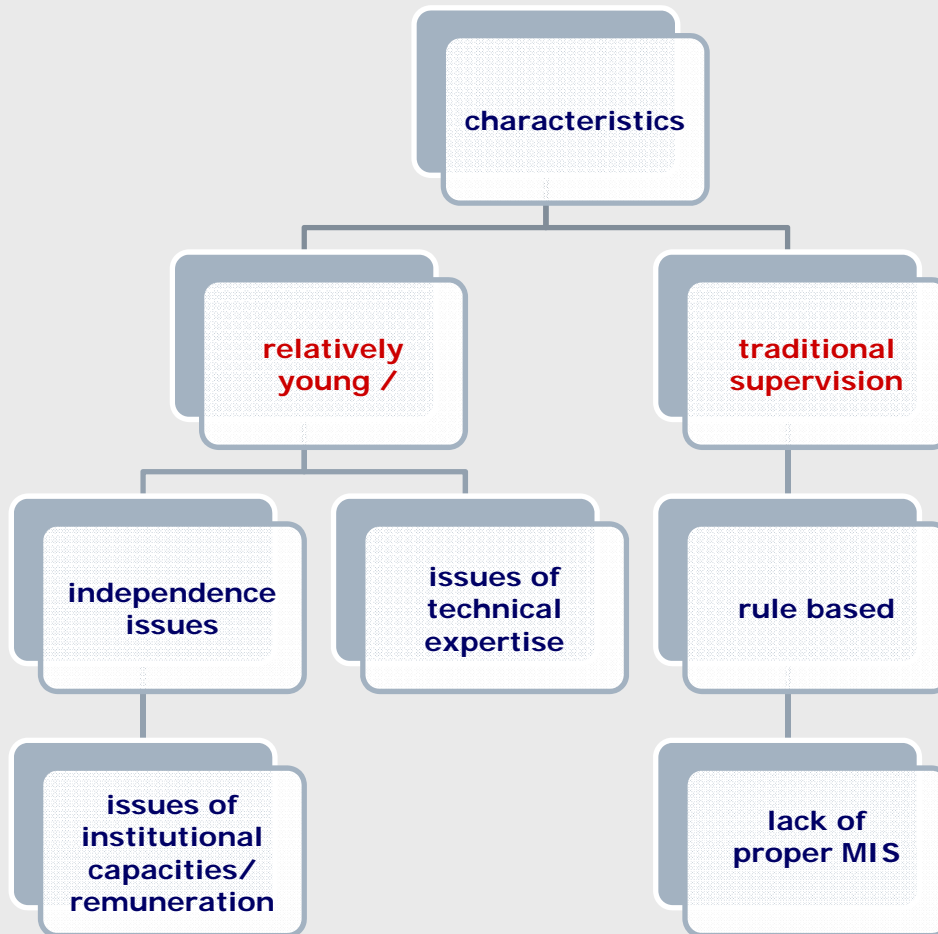
insurance market expansion

expand range of products / develop life insurance
 increase insurance market capacity
 quick growth of insured / premiums
 improve corporate governance
 improvement in insurance infrastructure
 significant role in country's development

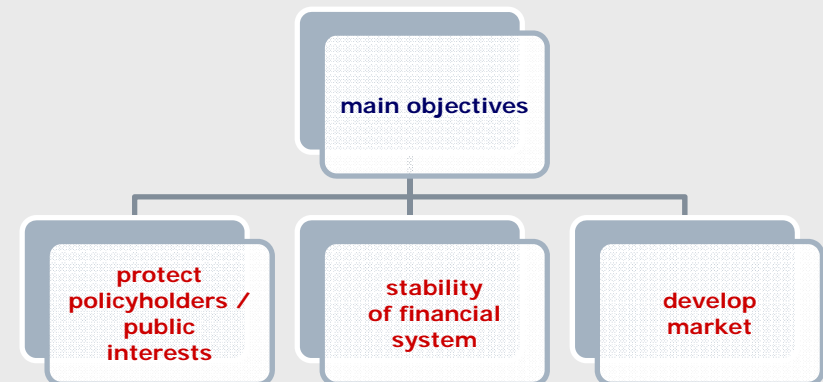
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supervisory approach **SEE spotlight on integration** **challenges towards RBS**

insurance supervisors in developing countries

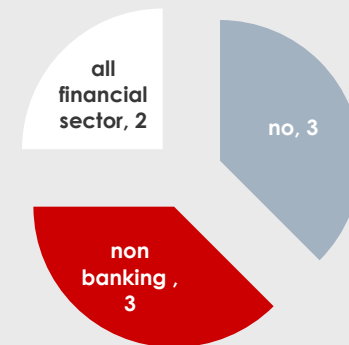


main tendency: integration & independence



SEE supervisors – spotlight on integration

country	name of supervisor	status of integration	Comment	member/ observer in IAIS
Albania	Albanian Financial Supervisory Authority	non banking		√
Bosnia	<i>Insurance Agency of Bosnia and Herzegovina</i>	no		√
Bulgaria	Financial Supervision Commission	non banking		√
Croatia	Croatian Agency for Supervision of Financial Services	non banking		√
Kosovo	Central Bank of Republic of Kosova	all financial sector		√
Macedonia	Ministry of Finance, Insurance Supervision Division	no	<i>in process</i>	√
Romania	The Insurance Supervisory Commission	no		√
Serbia	National Bank of Serbia, Insurance Supervision Department	all financial sector		√



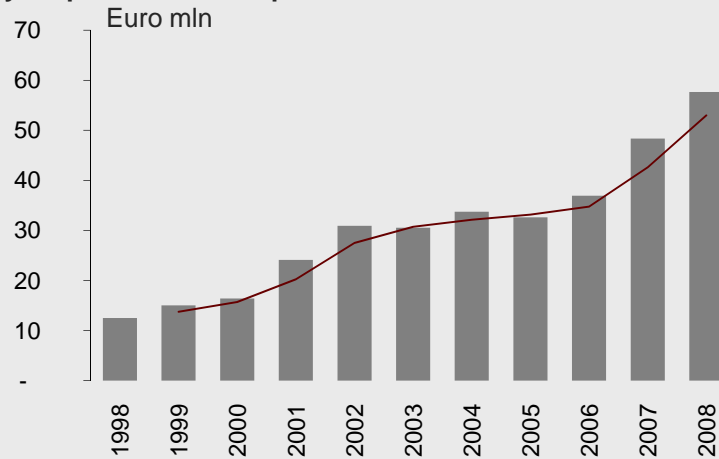
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Albanian case study

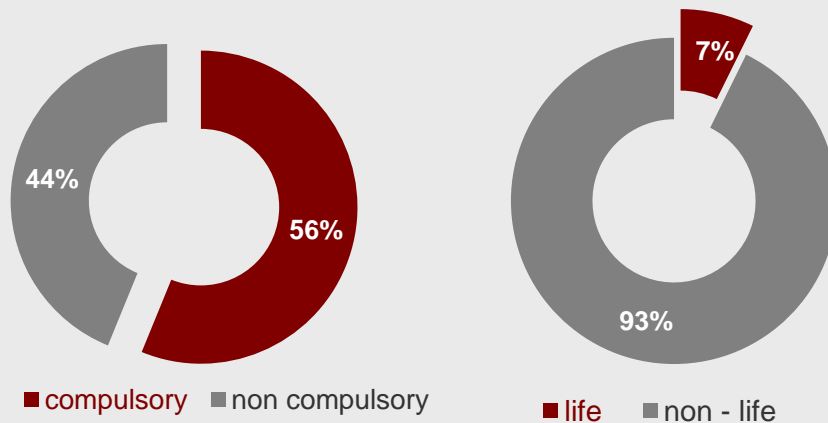
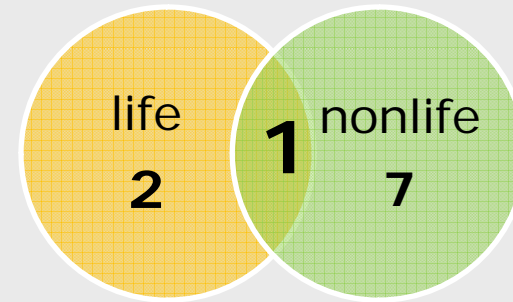
**supervisor moving towards RBS
cross border & cooperation
increased attention from financial crisis**

market data – Albania (2008)

10 year premium development



number of companies -10



ownership on companies



Albania - increasing trend of cross border insurance

participation of foreign insurers in Albania	2003		2008*		name	nationality
	non life	life	non life	life		
number	0	0	4	2	Uniq Group Austria	Austria
share of foreign insurance capital to total	0	0	34.76%	29.71%	TBIH backed by VIG	Greece
market shares for companies with foreign participation	0	0	68.33%	71.94%	Aspis Group IFC & EBRD	International financial institutions

Albanian companies / groups expanded in region	in Kosova		in Macedonia	
	number	names	number	names
number	3	Insig Sigal Sigma	4	Insig
capital invested	Euro 9 mln		Euro 12 mln	Sigal
market shares	35%		not available	Sigma Albsig

AMF Albania – brief introduction on supervisor

Established in 2006 as integrated non bank regulator / supervisor in Albania. **Integration process assisted by the World Bank.**

Supervised areas:

- i. insurance
- ii. securities
- iii. supplementary private pensions

Model of integration:

horizontal : functional **vs.** sectorial

Direct dependency and reporting to the Parliament

- i. board members election
- ii. number of staff and structure
- iii. annual reporting

Funding

- i. fees from the supervised entities

Decision making

board composed by 7 members: 3 executive. 4 non – executive

Staff & remuneration

- i. number of staff - 45
- ii. remuneration as per public administration rules

Membership in IAIS, IOSCO and IOPS

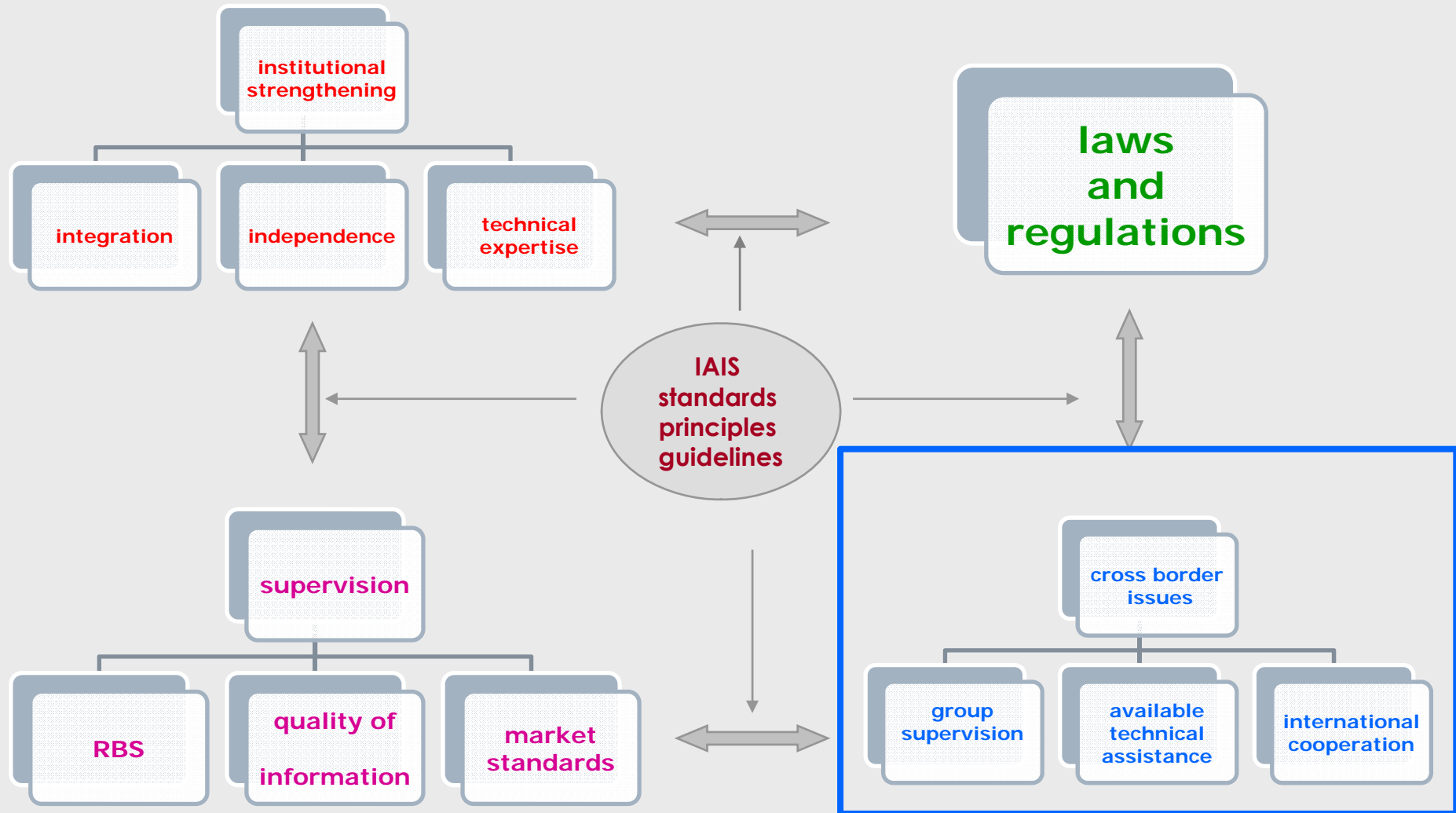
Legal basis for insurance

Insurance law (2004), compulsory insurance law (2009), AMF law (2006) / by laws, regulations

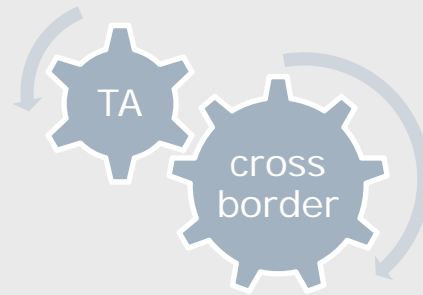
**Vision without action is a daydream,
action without vision is a nightmare**

Japanese Proverb

AMF Albania – challenges towards RBS model



related to the tremendous degree of interconnection between different types of financial institutions and financial operations across national borders, a key requirement is close communication with other financial supervisors, within countries and internationally



enhance good practice of cooperation

Albania

Cross border supervision / cooperation among supervisors

cooperation with **FMA Austria**

cross border

- increased cooperation in various areas of regulation & supervision / exchange of experience
- Insurance supervision of groups in Albania
- At least 2 meetings / year in top senior level
- Joint inspections / participation in cross border supervisory colleges in the near future

technical assistance

- Continuous technical assistance from the FMA towards standard settings - legal/ methodologies / MIS / IT, etc.
- Trainings



2008 - FMA trainings in Vienna for Albanian staff

June 2008 – FMA training on MIS and supervisory filing

October 2008 – training in conjunction with the WB on risk based supervisory approach and methodologies

Albania

cross border supervision / cooperation among supervisors (contd.)

cooperation with Kosovan Supervisor

cross
border

- exchanging information
- joint inspections
- combining efforts in enhancing regulations
- frequent meetings at all levels on cross border supervision and markets development

technical
assistance

- joint trainings / joint benefit from available technical assistance



**Signed in Pristina on 21
November 2008**

**MoU between the Albanian &
Kosovan regulators ammended
with all areas of all non bank
financial supervision.**

AMF Albania

bringing together TA, know how and experience from supervisors and international institutions

Ongoing projects with WB, financed by **First Initiative introduction and implementation of RBS methodologies**

Ongoing Project with EBRD, financed by **Western Balkan Fund to build advanced MIS For supervisory purposes**

Web - based platform for supervisory filing and analysis

Motor information center in compliance with EU requirements

Technical assistance / high level expertise and practical experience from **FMA Austria** in implementing important projects.

Practical experience / cooperation with the **Slovenian Insurance Agency** Towards implementation of MIS for Albanian supervisor

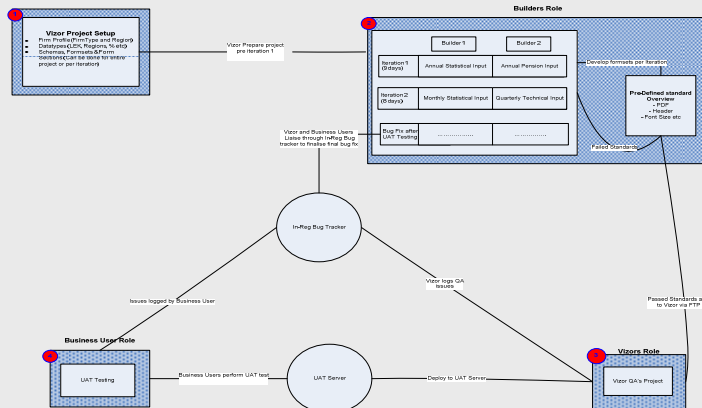


AMF Albania - Web based electronic platform for supervisory filing

project started in 2008, TA from EBRD, funded by the **Western Balkans Fund**

- web based
 - avoid paper based / increase quality through validation rules/ reduce time for operators
- analysis tool
 - develop prioritization of interventions where required
- early warnings
 - support new strategy of prevention against problem fixing

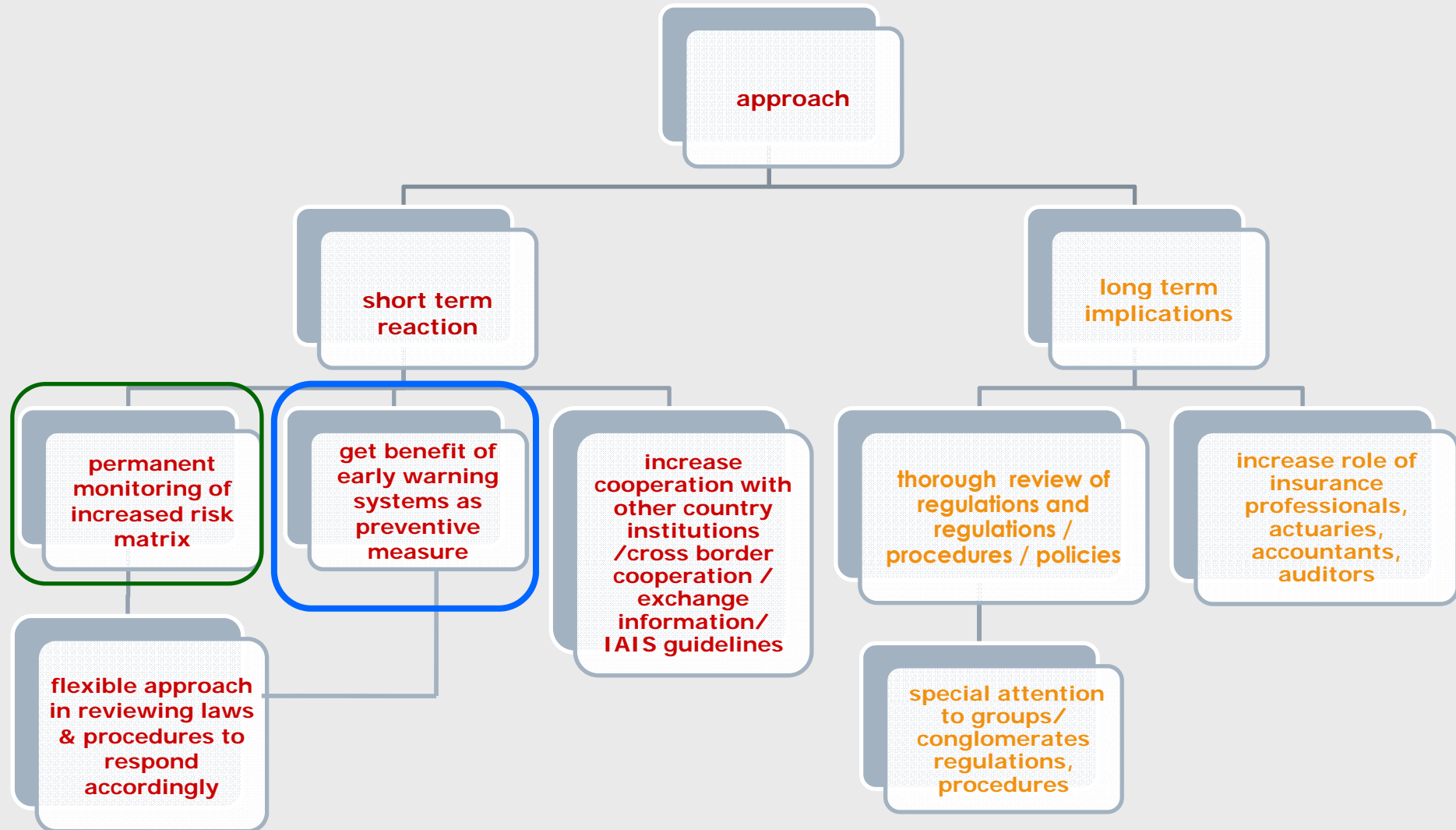
Phase 1 & 2	Phase 3	Phase 4
<ul style="list-style-type: none"> • identify reporting requirements • design reporting templates • ensure the inclusion of RBS elements as developed by other project 	<ul style="list-style-type: none"> • Train for form builders • build forms into electronic system • phase started in February – expected to complete by June 	<ul style="list-style-type: none"> • train business users • train industry • go live - forecasted in July 2009
<ul style="list-style-type: none"> • phases completed in February 2009 • 80 inputs & 140 outputs produced 		



Current phase /building forms

Consultant: Vizor Ireland

AMF Albania increasing awareness against possible effects of financial crisis



areas of increased risks	reaction / intervention
group supervision issue	review regulation / implement IAIS standards/ monitor transactions within group /exchange information / joint supervision
reinsurances	monitor/ update information on reinsurers / verify status of receivables and recoverable /react accordingly
financial insurances	permanent control over risk management / exchange information with bank regulator
term deposit investment	monitor currency risk / diversification in banks / maturities
real estate investments	monitor the fluctuations in real estate market / ask frequent update fro companies based on market values /
blocked assets used as collateral	quarterly review / exchange information with bank regulator / intervention to reduce blocked amounts



early warning tests	
Non life insurance	Life insurance
change in writings	risk ratio (NPW* / Equity)
insurance risk ratios	change in NPW
change in equity ratio	change in Equity
receivables Test	benefits Paid / NPW
surplus aid ratio	ROE (Net income / Equity)
equity as a % of liabilities	commissions & expenses / NPW
solvency margin	surplus relief (Reins. Commission / Equity)
investment risk ratio	solvency ratio (Equity / Liabilities)
investment yield	mortgages & real estate / Equity
liquidity ratio	mortgages in default / equity
safety ratio	affiliated investments / equity
return on equity (ROE)	
claims provision adequacy ratio	

Conclusion

rely on best standards, proven models and practical experiences to avoid unpleasant situations and achieve sound development of market



**“that some achieve great success,
is proof to all that others can achieve it as well”**

Abraham Lincoln

Thank you!