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TRADE AND DEVELOPMENT BOARD
Standing Committee on Developing
Services Sectors: Fostering
Competitive Services Sectors in
Developing Countries: Insurance
Third session
Geneva, 13 November 1995
Agenda items 3, 4 and 5

REVIEW OF CRITICAL AREAS WITH REGARD TO INSURANCE
LEGISLATION, REGULATION AND SUPERVISION

PROBLEMS FACED BY DEVELOPING COUNTRIES AND
COUNTRIES IN TRANSITION IN THE AREA OF INSURANCE
AGAINST CATASTROPHE PERILS

REVIEW OF PROGRESS MADE ON THE WORK PROGRAMME, IN THE
CONTEXT OF PARAGRAPH 76 OF THE CARTAGENA COMMITMENT

Draft agreed conclusions

1. The Standing Committee on Developing Services Sectors: Fostering Competitive Services in Developing Countries - Insurance, at its third session, 13 - 17 November 1995, reviewed the accomplishments achieved under the comprehensive work programme established at its first session, and commended the work undertaken by the UNCTAD secretariat, as well as the quality of the documents submitted. It was noted that discussions had greatly benefitted from the participation of experts and private sector representatives.

2. UNCTAD is the only United Nations forum dealing with insurance issues. Recognizing its importance for the economies of developing countries and countries in transition, the Standing Committee, in accordance with paragraph 76 of the Cartagena Commitment and without prejudice to any decisions which may be taken by UNCTAD IX or by the Trade and Development Board, agrees that the work in the field of insurance services should be continued and that future work should focus, inter alia, on the following issues:

A. Establishment of an appropriate framework for the functioning of a competitive market

3. It should be recognized that, for a successful liberalization of insurance markets, a legal and supervisory framework focusing in particular on prudential and consumer protection measures should be in place, as well as insurance regulation and supervision adapted to local conditions and the political and management cultures and circumstances prevailing in a country.

4. Guidance and assistance should be provided on request to countries for the establishment of legal, supervisory and market environments in which there is effective competition. This would involve action at all levels:

(i) Action at government level includes the need to foster a secure and stable financial environment through legislative measures. These should encompass improvement of transparency and availability of information, and monitoring of solvency and market conduct of insurers. Effective monitoring requires improving the competence of staff of supervisory authorities.

Issues relating to new participation in countries' domestic markets and their effective regulation should be addressed. In this respect cooperation between different countries' supervisory authorities should be studied.

(ii) At the corporate level, to enhance the competitiveness of insurance companies, action would involve improvement of the technical abilities of staff of the insurance sector through training in the area inter alia of corporate management, contract negotiation, underwriting, reserving and investment practices. Action addressing the need for improvements in the area of marketing, distribution and information gathering systems and loss prevention measures should also be considered.

(iii) At the level of the general public, in order to spread the contribution of insurance to national and personal well-being, action is necessary to improve public awareness and understanding of the uses of insurance and its related benefits. Use of and collaboration with grassroots organizations such as mutuals and cooperatives and establishment of information and advisory bureaux could be considered in this respect. Mechanisms to protect insurance consumers' interests, and in particular to handle policy-holders' complaints, should also be established.

- (iv) The overall contribution of insurance to social and economic development, in particular the role of life and long-term insurance, and the linkage between the development of insurance and other financial services such as banking and investment markets, should be investigated.

The impact of the implementation of free trade in insurance markets of developing countries and countries in transition needs to be assessed and analyzed.

- (v) More specifically, due to their direct impact on the increase of trade and investment of developing countries, possibilities relating to export credit and credit insurance should be further explored.

B. Catastrophe insurance

5. Recognising that catastrophe insurance is needed to address the severe risks which many countries face from both man-made and natural disasters:

- (i) Measures should be taken to develop a partnership between insurers, reinsurers and the State to address issues of catastrophe insurance;
- (ii) Assistance should be provided in the area of training for prevention and control of catastrophic events. Setting-up of statistical information networks, through joint cooperation, and the establishment of basic catastrophe insurance schemes should also be considered;
- iii) A methodology should be developed for formulating insurability criteria relevant to developing countries and countries in transition with regard to their particular market size, insurance density and the profile of their national assets, for the insurance of catastrophes.
- (iv) Risk exposures and perils should be structured in terms of size and frequency and consideration should be given to methods of increasing participation by local insurance companies in specified categories of risks directly or through operation of a pool, provided this is not in contradiction with free trade and contract negotiations.

C. Specific needs of developing countries

6. Appreciating the work done so far by UNCTAD's insurance programme and in view of the importance of UNCTAD's assistance to developing countries in improving their competitiveness, the Standing Committee calls upon UNCTAD to assist these countries in developing insurance schemes that advance their economic development, especially agriculture and life insurances. UNCTAD should

further assist these countries in developing comprehensive insurance training and education programmes to cover training of trainers and of professionals who run both the insurance industry and their supervisory authorities.

D. Information and technical assistance

7. Given the importance of the exchange of information related to legislative changes and developments affecting insurance markets, the UNCTAD secretariat is requested to further improve the dissemination of available information through the publication of newsletters and the use of electronic tools. In particular, the statistical survey should be pursued utilising an electronic database to further strengthen the ability for analysis of trends and progress in the insurance sectors of developing countries.

8. In view of the importance of technical assistance activities to implement the findings of the studies in the above-mentioned areas, and in particular agricultural insurance schemes, and to expand existing or establish new training programmes, and taking into account the financial difficulties, the Standing Committee would greatly appreciate support for such projects by potential donors and recommends that the Trade and Development Board considers the establishment of a trust fund for specific tasks.