



**United Nations Conference on Trade and Development**

---

Distr.  
GENERAL

TD/B/C.3/29  
TD/B/C.3/AC.2/1  
19 October 1966

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD  
Committee on Invisibles and Financing  
related to Trade  
Second session  
New York, 4 April 1967  
Item 9 (a) of the provisional agenda

PROGRESS REPORTS ON THE PROGRAMME OF WORK ON INVISIBLES -  
INSURANCE AND REINSURANCE

Reinsurance policy and operations in developing countries  
Report of the Expert Group on Reinsurance

LETTER OF TRANSMITTAL TO THE SECRETARY-GENERAL OF THE  
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

We have the honour to submit herewith our report "Reinsurance Policy and Operations in Developing Countries" which, in pursuance of the programme of work of the Committee on Invisibles and Financing related to Trade (TD/B/42 - TD/B/C.3/15, Annex I (b), section B), we were invited to prepare in the light of UNCTAD recommendation A.IV.23 on insurance and reinsurance.

Meetings were held at UNCTAD Headquarters, Geneva, from 26 September to 6 October 1966. The members of the group served in their personal capacity. Several observers from specialized international organizations also participated in the meetings. Mr. A. Rajagopalan served as Chairman and Mr. D. Landin as Rapporteur.

We wish to express our thanks to the observers for their co-operation and valuable suggestions; in fact they were part of us. Our thanks are also due to the secretariat of the UNCTAD and in particular to the staff of the Invisibles Division for their invaluable help and guidance. Without their help, our deliberations would not have been the success they have.

Respectfully yours,

*H. Hofmann*  
*Rajagopalan*  
*Moh. El-Hamzawi*  
*W. B. ...*  
*Phillips*  
*Aguillera*  
*A. Finelli*  
*L. Wicks*  
*W. S. B. Gould*  
*Landin*  
*Rajagopalan*  
*W. B. ...*  
*Phillips*  
*Aguillera*  
*A. Finelli*  
*L. Wicks*  
*W. S. B. Gould*

Geneva,  
6 October 1966

CONTENTS

		<u>Paragraphs</u>
Introduction		1 - 2
Chapter I	Investment of reinsurance funds in the country where the premium income arises	3 - 15
	Discussion	3 - 12
	Recommendation	13 - 15
Chapter II	Institutional arrangements for reinsurance operation at national and regional level in order to reduce the outflow of foreign exchange from the country or the region as a whole	16 - 23
	Discussion	16 - 22
	Recommendation	23
Chapter III	Consideration of measures to lighten the cost of reinsurance to the developing countries, including evaluation of reinsurance treaties and agreements, improvement of their terms and conditions and examination of the question of reciprocity	24 - 31
	Discussion	24 - 28
	Recommendation	29 - 31
Chapter IV	International co-operation in the field of insurance and reinsurance covering technical assistance, training of personnel and exchange of technical and market information and statistics	32 - 37
	Discussion	32 - 35
	Recommendation	36
Chapter V	Organizational matters	38 - 43
<u>Annexes</u>		
I	Text of UNCTAD recommendation A.IV.23	
II	Annotated agenda	
III	Opening statement on behalf of the Secretary-General of UNCTAD by the Director, Division for Invisibles	
IV	Closing statement by the Chairman of the Expert Group	
V	List of participants	

Introduction

1. The programme of work of UNCTAD in the field of insurance and reinsurance, as recommended by the Committee on Invisibles and Financing related to Trade at its first session<sup>1/</sup>, and subsequently approved by the Trade and Development Board at its third session<sup>2/</sup>, calls for study of reinsurance questions by a small expert group to be composed of highly qualified representatives from appropriate organizations and institutions, drawn from all groups of countries. It was agreed that these experts might, inter alia, elaborate, for consideration by the Committee as a follow-up of UNCTAD recommendation A.IV.23 (see Annex I), draft proposals on the implementation of policies in the field of reinsurance, and formulate the requirements for the establishment of national and/or regional reinsurance institutions in the developing countries.
2. In pursuance of the decision by the Trade and Development Board<sup>3/</sup>, the meeting of the Expert Group on Reinsurance was held in Geneva between 26 September and 6 October 1966.

<sup>1/</sup> TD/B/42 - TD/B/C.3/15, Annex I(b), section B.

<sup>2/</sup> TD/B/66, paragraph 38.

<sup>3/</sup> Ibid., decision 28 (III), Annex A.

## CHAPTER I

### Investment of reinsurance funds in the country where the premium income arises

#### Discussion

3. The discussion opened with an exchange of views on principles and issues relating to investment of reinsurance funds. It was generally agreed that a proportion of the reserves arising from reinsurance operations should be retained in the country of origin of the risk, in order to provide a measure of protection to the direct insurer and the policy holder, and also to provide a contribution to the economy of the country of the ceding company in terms of investment and savings of foreign exchange. It was pointed out that governments had increasingly felt impelled to introduce laws and regulations in order to achieve the above objectives.

4. It was the consensus of the meeting that in the application of the above principles the special conditions prevailing in the insurance markets of different countries should be taken into account. These markets could be broadly classified as follows:

- (a) countries where insurance is carried out only by agents and branches of foreign companies;
- (b) countries having national insurance companies; and
- (c) countries having both national insurance and reinsurance companies.

5. The experts were fully aware of the need for making a distinction among different classes of insurance. In this connexion, it was unanimously agreed that life insurance should be left out of the discussions, as this type of insurance required a completely different approach. Accordingly, the discussions in the meeting were confined to non-life insurance.

6. The Group noted that at the first session of UNCTAD it had already been agreed in paragraph 3 of recommendation A.IV.23 that in the interests of developed countries

- "(a) technical reserves and guarantee deposits of insurance and reinsurance companies or institutions should be invested in the country where the premium income arises;
- "(b) adequate conditions of security, liquidity and income must however be assured;
- "(c) developed countries should encourage such investment by removing all obstacles to the achievement of this aim."

7. While endorsing the principle underlying this recommendation, the experts expressed differing opinions at the outset with regard to the manner in which it should be implemented. The experts from the countries members of the Conférence internationale des Contrôles d'Assurances des Etats africains, français et malgache (CICA) and certain others pointed out that in those countries there was already legislation providing for the investment of 100 per cent of the technical reserves, namely, 30 to 40 per cent of the gross premiums, to cover unexpired risks, and in addition 100 per cent of the outstanding claims. They were anxious that this provision should not be whittled down.
8. The experts felt that it might be more convenient, even if this meant a loss of technical precision, to express the combined reserve as a percentage of the gross reinsurance premium. The experts from the developing countries suggested that, having regard to the level of outstanding claims usually encountered, it would be equitable to fix the percentage at 75 per cent. The experts from the developed countries, on the other hand, were of the opinion that this figure was too high and should be set at 50 per cent, considering that, out of the gross premiums received, a good part was surrendered immediately by way of commission and that big claims were usually paid on request.
9. The meeting sought for a generally applicable formula for the determination of the portion of the reserves to be required from the reinsurers. In order to find an acceptable compromise between these two positions, an expert from a developed country suggested that the contribution by the reinsurers towards the technical reserves when calculated on a forfeitary basis, should not be less than 60 per cent of the gross premiums ceded. The other experts from the developed countries, while agreeing to the figure of 60 per cent, considered this figure to be the maximum, whereas the experts from the developing countries were opposed to any change and suggested that it be considered as a minimum. A working party consisting of experts from developed and developing countries, and from socialist countries of Eastern Europe, was constituted to consider this question; the proposal that emerged from their deliberations was that the reinsurer's contribution should be 60 per cent.

10. Some of the experts from developed countries considered that the formula was needlessly rigid, since in many cases the insurer and the reinsurer might agree that another method of expressing technical reserves would be more appropriate in the particular circumstances. On the other hand, several experts from developing countries felt that freedom to "contract out" might in some cases result in lessening the contribution of the reinsurers, and they drew the attention of the Group to the fact that there was a third party to be considered, namely the country itself in the interest of which the UNCTAD recommendation was conceived. The experts from the developed countries explained that the purpose of the change was not to whittle down the contribution to the reserves but to permit greater flexibility. In the light of this explanation, the Group agreed on the text of a general formula.

11. The experts from developed countries pointed out that for certain types of reinsurance such as excess of loss or stop loss, the general formula would be inapplicable. This point was partly conceded by the other experts and it was agreed that special conditions existing in non-proportional reinsurance should be taken into consideration in the application of the recommendation to these types of insurance treaties. The recommendation, as amended in this sense, is that given in paragraphs 13 and 14 below.

12. In response to suggestions made earlier in the Group, a proposal was introduced by an expert from a developed country to the effect that the Group should recommend that, apart from investments of technical reserves, insurers and reinsurers should invest a reasonable part of their available capital in the developing countries and that these countries for their part, should encourage such investments by guaranteeing the transferability of the interest income and, where necessary and also subject to compliance with applicable national laws, of the investments themselves. This proposal was fully acceptable to most experts, and was incorporated into the recommendation as paragraph 15. Two experts (Mr. W.C. Gould and Mr. M.H.R. King), however, stated that "while personally sympathizing with the ideas expressed in paragraph 15 of the recommendation, in their opinion, this matter was not within the terms of reference of the Expert Group, and that they therefore would not wish to associate themselves with this paragraph of the recommendation".

Recommendation

13. The Expert Group recommends that, subject to compliance with national laws, where applicable, reinsurance treaties concluded (in non-life business) between direct insurers in developing countries and reinsurers abroad should provide for the participation of the reinsurers in the setting up of technical reserves of the ceding company, it being understood that the funds provided by the reinsurers would be invested under adequate conditions of security, liquidity and yield and that the interest income and the funds themselves, to the extent they are in excess of requirements, could be transferred, subject to compliance with national laws, where applicable. Bearing in mind the special situation of the developing countries, the experts feel that where the contribution of reinsurers in the setting up of the technical reserves by the direct insurer is not based on an agreed percentage of the actual figures of the reinsurer's proportion in the technical reserves, it should be calculated on a pre-determined percentage covering the premium reserves and/or the outstanding loss reserves. Such percentage should amount to 60 per cent of the gross reinsurance premiums.

14. It is understood that this recommendation shall not apply to countries where legal, conventional or contractual provisions already impose a higher amount of investment from insurance or reinsurance bodies. Special conditions existing in non-proportional reinsurance treaties should be taken into consideration in the application of this recommendation in the light of their structure and experience.

15. Furthermore, the Expert Group<sup>1/</sup> believes it desirable that reinsurers should invest a reasonable part of their available capital in the developing countries and that these countries, on their part, should encourage such investments by guaranteeing the transferability of the interest income and where necessary, and subject to compliance with national laws, where applicable, the investments themselves.

---

<sup>1/</sup> Two experts (Mr. W.C. Gould and Mr. M.H.R. King), however, stated that "while personally sympathizing with the ideas expressed in paragraph 15 of the recommendation, in their opinion, this matter was not within the terms of reference of the Expert Group, and that they therefore would not wish to associate themselves with this paragraph of the recommendation".



## CHAPTER II

### Institutional arrangements for reinsurance operation at national and regional level in order to reduce the outflow of foreign exchange from the country or region as a whole

#### Discussion

16. At the outset the experts from developing countries gave an account of their experience with regard to the operations of national and regional reinsurance institutions.
17. The observers of the Federation of Afro-Asian Insurers and Reinsurers (FAIR) and the Conférence internationale des Contrôles d'Assurances des Etats africains, français et malgache (CICA) and the experts from Argentina, Pakistan and the Philippines briefly reviewed the measures already undertaken and arrangements contemplated for co-operation among countries in their respective areas.
18. All the experts from the developing countries spoke on the question of national reinsurance institutions. Several experts stated that in a number of countries, reinsurance institutions established at the national level had been operating successfully and their establishment had proved beneficial to the national insurance industry as well as to the economy of the country as a whole. They accordingly advocated the establishment of such institutions in other developing countries, wherever feasible. Some of the experts also advocated the promotion of regional co-operation and arrangements in the field of reinsurance, including the establishment of regional reinsurance institutions.
19. An expert from a developed country, while sympathizing with the national aspirations of the developing countries, thought that the establishment of national institutions might not be the best way of providing efficient reinsurance services and reducing the foreign exchange drain in those countries. He felt that the establishment of such institutions and channelling of reinsurance through them - particularly when insurers were required by law to cede a part of their business to such institutions rather than being free to contract such business on a voluntary basis - would only serve to increase the cost of insurance to the consumers. Furthermore, the establishment of such institutions would require considerable capital outlay in addition to tying down technical and managerial staff which could be better utilized in other sectors of the economy. These views were shared by most of the other experts from the developed countries.

20. The Chairman drew the attention of the Group to UNCTAD recommendation A.IV.23 which, inter alia, states that:

"a sound national insurance and reinsurance market is an essential characteristic of economic growth", and,

"it is desirable to pool the technical surpluses retained nationally by developing countries and to redistribute them on a regional basis before they are returned to traditional reinsurance markets", and that

"the developed countries should give their full co-operation to the developing countries to encourage and strengthen the national insurance and reinsurance markets and should give their support to all reasonable measures which are directed to this end and to the increase of their retention capacity".

21. In the course of the discussion that followed, the view was expressed that it would be advisable to undertake studies on the experience of the national institutions in some developing countries. Such studies would assist the developing countries to evaluate the conditions, problems and requirements for establishing national reinsurance organizations, whether state, private or of mixed ownership, in their own countries.

22. The Chairman recalled that UNCTAD had already included in its programme of work in the field of insurance and reinsurance a series of studies in selected countries in Africa, Asia and Latin America. These studies would include countries at different stages of economic development and with different legislative and administrative systems of insurance, and would cover, inter alia, the organization and operation of private companies as well as public and semi-public institutions. These studies were also expected to review the adequacy of insurance services, the terms and conditions in various branches of insurance and the types of policy offered under voluntary and compulsory, as well as individual and group insurance schemes. In view of these considerations, the experts agreed that the UNCTAD secretariat should be requested, while undertaking these studies, to place special emphasis on the analysis of the conditions, problems and requirements for the establishment of national reinsurance organizations, with a view to strengthening existing insurance companies and promoting co-operation among these companies in order to increase their retention capacity and that of the national insurance markets. Regional and sub-regional co-operation (through such measures as the constitution of regional and sub-regional pools) might further increase the retention capacity of

regions and sub-regions and might be beneficial, particularly to countries with small insurance markets. Several suggestions were made on methods for achieving the objectives outlined above, and a small working party considered these suggestions and formulated a recommendation which was approved by the Group as a whole.

Recommendation

23. The Expert Group:

- (a) suggests that the UNCTAD secretariat should keep under review current developments in the regional field and prepare a report on this subject in due course;
- (b) recommends that the UNCTAD secretariat carry out in a few selected developing countries, as provided in the programme of work of the Committee on Invisibles and Financing related to Trade, a study on the conditions and problems relating to the establishment of national and regional reinsurance institutions in developing countries, including such questions as the provision of the requisite technical staff; and
- (c) considers that if one or a group of developing countries wish to further the establishment of reinsurance organizations - whether state, private or of mixed ownership - they might request UNCTAD to arrange for a feasibility study, including a study of all technical problems involved. Such studies should be substantively directed by the UNCTAD secretariat within the framework of the United Nations Development Programme (UNDP). Experts from developed and developing countries and from socialist countries of Eastern Europe having requisite qualifications and experience should be utilized in carrying out such studies.

### CHAPTER III

Consideration of measures to lighten the cost of reinsurance to the developing countries, including evaluation of reinsurance treaties and agreements, improvement of their terms and conditions and examination of the question of reciprocity

#### Discussion

24. The expert from a developed country who opened the discussion on this subject - a subject which was considered to be of great importance for reinsurance operations in developing countries - emphasized the extreme complexity of the range of issues falling within the scope of the discussion. Reinsurance practices and techniques were universal and in a sense common in their general application. But developing countries might have special problems and it might thus be necessary to modify the techniques in order to suit the specific conditions prevailing in these countries.
25. Some experts from developed countries considered that, in the absence of full and detailed information and statistics of the operation of reinsurance treaties entered into by insurers from developing countries with reinsurers abroad, it would not be possible to draw any definite conclusions or to give any advice which would be generally applicable. The experts from developing countries, while agreeing that collection of such information and its detailed study would be useful, felt that the experience already available would permit certain general conclusions to be drawn.
26. The experts from the developing countries considered that, in the present state of affairs, the reinsurance arrangements were weighted against the insurers in the developing countries. Among other things, they considered that commissions and profit commissions were inadequate and did not sufficiently reflect the circumstance that loss ratios in the developing countries were lower than those in the developed countries. They therefore felt that it would be possible even now to draw the conclusion that reinsurance treaties with ceding companies in developing countries needed to be revised with a view to improving their terms.
27. These experts also pointed to the generally unsatisfactory results of business ceded to insurers in developing countries from the developed countries by way of reciprocity, leading to lack of equity and in certain cases even to an added burden to the developing countries. The experts from developed countries stressed the importance of freedom in negotiating reinsurance contracts; interference in the treaty negotiations between companies would not necessarily benefit the insurance companies in developing countries. On the question of unsatisfactory results of business obtained in reciprocity, an expert from a developed country pointed out that insurers in the developing countries might be well advised to opt for better commission terms in lieu of reciprocity.

28. The experts agreed that further study was necessary in order to arrive at more definite conclusions. A working party composed of experts from developed and developing countries and from socialist countries of Eastern Europe was formed and drew up suggestions as to the manner in which such a study could be undertaken. The working party's recommendation on this point was adopted by the Expert Group.

Recommendation

29. The Expert Group suggests that the UNCTAD secretariat undertake a study of reinsurance problems of developing countries. The problems to be studied should include, among others, the following matters which have been brought to the notice of the Group by the experts from developing countries, with a view to exploring the possibilities of effecting a reduction in the cost of reinsurance and improvement in terms of treaties:

- (a) level of reinsurance commission and profit commission;
- (b) advantages and disadvantages of non-proportional and proportional reinsurance arrangements;
- (c) reciprocity;
- (d) rating control and claims control clauses;
- (e) reinsurance of business written by foreign branches and agencies in developing countries; and
- (f) investment by reinsurers and insurers of developed countries in the share capital of national insurance and reinsurance enterprises of the developing countries.

30. It is suggested that the study should include, as far as possible, an evaluation of the problems involved and various methods for, and approaches to, their solution in the light of the experience of developed and developing countries and socialist countries of Eastern Europe.

31. The feasibility of the study will depend on the co-operation of the insurance and reinsurance companies and institutions, and these bodies are accordingly requested to assist the UNCTAD secretariat by making available the necessary information.

#### CHAPTER IV

### International co-operation in the field of insurance and reinsurance covering technical assistance, training of personnel and exchange of technical and market information and statistics

#### Discussion

32. The Expert Group considered that training of personnel was essential to the efficient operation of insurance in developing countries. Some experts reported on training facilities available in their countries. Attention was drawn to the United Nations Development Programme (UNDP), under which technical assistance and training could be provided at the request of the governments of the developing countries. In this connexion, substantive support and servicing would be provided by the Secretariat of UNCTAD. As insurance activities expanded, it was hoped that governments would assign priority to technical assistance and training in this field. (See also paragraph 23(c) above).

33. Special emphasis was placed on the utilization of experts from all countries (i.e. developed, developing and socialist countries of Eastern Europe), in the provision of the above services through the United Nations. It was considered that the experience accumulated in the developing countries themselves would be particularly useful to the insurance industry in these countries. In this connexion, it was pointed out that insurance and reinsurance methods, practices, operations and forms of organization could not be mechanically transferred from developed countries to the developing countries, and certain modifications and adaptations might have to be made.

34. In order to make better and more effective use of existing and future training facilities, it was suggested that UNCTAD should be kept informed about the scope and programmes of training institutes and similar facilities offered by other bodies. This would enable the UNCTAD secretariat to make this information readily available to the Governments of States members at their request.

35. There was at present a need for improvement of methodology for standardization of definitions and terminology, and for better presentation of data. Such measures would facilitate international comparisons and enable insurance companies and governments to assess more accurately the performance of insurance services and also provide a basis for the exchange of experience in this field. It was suggested that the UNCTAD secretariat in co-operation with the Statistical Office of the United Nations and other appropriate bodies should study the above requirements and formulate practical proposals.

Recommendation

Technical assistance and co-operation

36. The Expert Group:

- (a) agrees on the need to expand technical assistance and the training in the field of insurance and reinsurance;
- (b) emphasizes the need for information on various technical assistance and training facilities currently being offered by insurance institutions directly and under bilateral programmes, and recommends that UNCTAD serve as a clearing centre for information on such activities. In this connexion the Group recommends that governments of developed and developing countries and of socialist countries of Eastern Europe, as well as insurers in these countries, should co-operate with UNCTAD and make available information on the above activities;
- (c) strongly suggests that the governments of the developing countries should avail themselves of the advisory services and training opportunities which are currently offered under the United Nations Development Programme. In this connexion the Group expresses satisfaction that substantive support and guidance for technical assistance in this field will be provided by the secretariat of UNCTAD;
- (d) considers that the organization of regional and inter-regional seminars and symposia on insurance and reinsurance is of special importance to the developing countries and hopes that the governments of these countries individually and collectively will approach the United Nations with the request to organize these activities;
- (e) expresses appreciation for the facilities already granted by the governments and insurers in the developed countries through provision of training and technical assistance to the developing countries in the field of insurance and reinsurance, and recommends that such activities should be intensified in the future.

Statistics

37. The Expert Group recognizes the importance of internationally comparable insurance and reinsurance statistics and suggests that the UNCTAD secretariat in co-operation with the United Nations Statistical Office and other appropriate bodies should study the question of the method and the basis on which such statistics should be collected on a world-wide basis. The Group further suggests that a small group of insurance statisticians should be convened to assist the UNCTAD secretariat in this task.

CHAPTER V

Organizational matters

Opening of the meeting

38. In the absence of the Secretary-General of UNCTAD, the meeting was opened by the Director, Division for Invisibles, who made a statement which has been reproduced as Annex III to the present report.

Election of Chairman

39. Mr. A. Rajagopalan was elected Chairman of the Expert Group. The Group also decided to appoint a Rapporteur, and elected Mr. D. Landin to that office.

Adoption of the agenda

40. The agenda issued before the meeting (TD/B/C.3/AC.2/R.1) was adopted by the Expert Group. The annotated agenda is reproduced in Annex II.

Membership and attendance

41. The Group consisted of twenty experts and two alternates, who served in their personal capacity. The Group was assisted in its deliberations by observers from the Economic Commission for Europe, the Conférence internationale des Contrôles d'Assurance des Etats africains, français et malgache, the Afro-Asian Organization for Economic Co-operation - Federation of Afro-Asian Insurers and Reinsurers, the European Insurance Committee and the International Chamber of Commerce. The list of the experts and observers is reproduced in Annex V to this report.

Adoption of the report and closure of the meeting

42. This report, as amended during the discussion, was unanimously adopted by the Group at its closing meeting on 6 October 1966, subject to the customary editorial modification. At the same meeting, the Chairman made a closing statement, which is reproduced in Annex IV to this report.

Working papers and other documentary material

43. A check list of documents issued before and during the meeting follows:

E/CONF.46/141, Vol.5

Insurance costs in the balance of payments of developing countries

TD/B/42 -

TD/B/C.3/15

(Annex 1(b), section B)

Programme of work of UNCTAD in the field of insurance and reinsurance as recommended by the Committee on Invisibles and Financing related to Trade and approved by the Trade and Development Board



TD/B/C.3/29  
TD/B/C.3/AC.2/1  
page 14

TD/B/82/Add.2  
(Chapter V, paragraphs 44-63)

Review of international trade and development  
1966. Section covering insurance and reinsurance

TD/B/C.3/L.9

Consideration and adoption of the programme of  
work: Invisibles - suggestions for a programme  
of work.

TD/B/C.3/L.11

Review of questions of insurance, reinsurance  
and Tourism examined at the first session of the  
Conference

TD/B/C.3/L.12 and Add.1

Review of activities of the regional economic  
commissions in the field of insurance, reinsurance  
and of tourism

TD/B/C.3/AC.2/R.1

Annotated agenda

TD/B/C.3/AC.2/R.2

Background information on UNCTAD activities in  
the field of insurance and reinsurance

ANNEX I  
RECOMMENDATION A.IV.23<sup>1/</sup>  
Insurance and reinsurance\*

The Conference,

Considering that the characteristics of insurance and reinsurance activities, in general, require operation on an international basis.

That it is necessary to make this international character compatible with the economic and financial interests of the developing countries.

That a sound national insurance and reinsurance market is an essential characteristic of economic growth.

That it is desirable to pool the technical surpluses retained nationally by developing countries and to redistribute them on a regional basis before they are returned to traditional reinsurance markets,

Recommends that:

1. The developed countries should give their full co-operation to the developing countries to encourage and strengthen their national insurance and reinsurance markets and should give their support to all reasonable measures which are directed to this end and to the increase of their retention capacity.

---

\* The Conference adopted this recommendation by a roll-call vote of 100 to 1, with 12 abstentions:

In favour: Afghanistan, Albania, Algeria, Argentina, Australia, Austria, Brazil, Bulgaria, Burma, Burundi, Byelorussian Soviet Socialist Republic, Cambodia, Cameroon, Canada, Central African Republic, Ceylon, Chad, Chile, China, Colombia, Congo (Brazzaville), Congo (Leopoldville), Costa Rica, Cuba, Czechoslovakia, Dahomey, Denmark, Dominican Republic, Ecuador, Ethiopia, Finland, France, Gabon, Ghana, Greece, Guatemala, Guinea, Honduras, Hungary, Iceland, India, Indonesia, Iran, Iraq, Ireland, Israel, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Libya, Liechtenstein, Madagascar, Malaysia, Mali, Mauritania, Mexico, Monaco, Mongolia, Morocco, Nepal, Netherlands, New Zealand, Niger, Nigeria, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Republic of Korea, Republic of Viet-Nam, Romania, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Spain, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Arab Republic, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanganyika and Zanzibar, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia. (Continued overleaf)

1/ See Proceedings of the United Nations Conference on Trade and Development, Vol.I, Final Act and Report (United Nations Publication, Sales No.: 64.II.B.11) p.55.

2. Developed countries should continue and increase the technical assistance and training facilities which they provide and which are required for the sound development of national insurance and reinsurance markets in developing countries.
3. (a) Technical reserves and guarantee deposits of insurance and reinsurance companies or institutions should be invested in the country where the premium income arises.  
(b) Adequate conditions of security, liquidity and income must however be assured.  
(c) Developed countries should encourage such investment by removing all obstacles to the achievement of this aim.
4. Developing countries in which national insurance markets are sufficiently well established, after carrying out technical and financial studies, should establish regional reinsurance institutions.
5. Developed countries which provide aid to developing countries should not prescribe conditions limiting the rights of the developing countries to require insurance to be placed in the national market.
6. The competent international organizations should examine the question of the adoption of:
  - (a) uniform clauses for marine, land and air transport insurance;
  - (b) uniform criteria for the compilation of insurance and reinsurance statistics.

---

\* (Continued)

Against: United States of America

Abstaining: Belgium, El Salvador, Federal Republic of Germany, Holy See, Italy, Ivory Coast, Japan, Luxembourg, Portugal, South Africa, Sweden, Switzerland.

ANNEX II

Agenda and annotations

Item 1: Opening of the meeting

Item 2: Election of chairman

Item 3: Investment of reinsurance funds in the country where the premium income arises

Paragraph 3 of UNCTAD recommendation A.IV.23 specifies that:

- "(a) Technical reserves and guarantee deposits of insurance and reinsurance companies or institutions should be invested in the country where the premium income arises;
- "(b) Adequate conditions of security, liquidity and income must, however, be assured;
- "(c) Developed countries should encourage such investment by removing all obstacles to the achievement of this aim."

The Group is expected to formulate concrete proposals on the implementation of the above recommendations in order to increase, as much as possible, the contribution of funds arising from reinsurance operations to the financing of development and capital formation in the developing countries.

In its discussion of this item, the Group may consider, among other things, the following questions:

- (a) Obligation of reinsurer in cases where the entire technical reserve funds and guarantee deposits are required to be deposited by direct insurer, domestic or foreign;
- (b) Obligation of reinsurer in cases where the requirement of reserve and guarantee deposits on the part of the direct insurer is proportional to its retention and insurance is ceded or retroceded in national or international markets;
- (c) The role and effect of government measures related to insurance and reinsurance reserve requirements and their investment;
- (d) Investment experience in the developing countries in the light of criteria referred to in UNCTAD recommendation A.IV.23 and proposals for ensuring maximum investment of insurance and reinsurance funds in the developing countries.

Item 4: Institutional arrangements for reinsurance operation at national and regional level in order to reduce the outflow of foreign exchange from the country or the region as a whole

Paragraph 4 of UNCTAD recommendation A.IV.23 states that "developing countries in which national insurance markets are sufficiently well established, after carrying out technical and financial studies, should establish regional reinsurance institutions". In the preamble to the recommendation it is emphasized "that it is desirable to pool the technical surpluses retained nationally by developing countries and to redistribute them on a regional basis before they are returned to traditional reinsurance markets".

The Group may wish to examine the conditions to be met for the establishment of reinsurance institutions at national and also at regional level, taking into account the different stages of development of the insurance industry in the developing countries, covering (a) those which have already had in operation both national insurance and reinsurance institutions (public, private or mixed); (b) those which have had only institutions dealing with direct insurance; and (c) those where the insurance industry is in the early stage of development. The technical, financial and institutional requirements applicable to the cases (a), (b) and (c), above should be specifically stated, including any technical and financial studies needed as suggested in the UNCTAD recommendation referred to above.

Item 5: Consideration of measures to lighten the cost of reinsurance to the developing countries, including evaluation of reinsurance treaties and agreements, improvement of their terms and conditions and examination of the question of reciprocity

Under this item the Group may wish to consider, inter alia, the following questions:

(a) Adaptability of the present types of reinsurance agreements to the needs of the developing countries

It seems useful to examine the major types of reinsurance contracts and treaties currently concluded between ceding companies in developing countries and foreign reinsurers (e.g. facultative, quota share treaty, surplus treaty and excess of loss treaty) and to evaluate their adaptability to the needs of the developing countries and also alternative methods of distribution of risks, such as pooling schemes, taking into account the requirements of different classes of insurance, conditions of national insurance markets and institutional and economic factors.

(b) Improvement of terms and conditions of reinsurance arrangements

Terms and conditions contained in reinsurance contracts primarily reflect the special relationship between the ceding company and reinsurer and they are affected by laws and regulations such as those related to compulsory reinsurance cessions and foreign exchange transfers. The Group may, in the light of recent experience in both developed and developing countries, explore and determine specific measures which should be recommended to the ceding company, the reinsurer and the government, for the purpose of reducing the cost of reinsurance transactions and lighten the balance of payments burden to the developing countries. Special attention may be given to questions such as level of premium, reinsurance commission, profit commission and arrangements regarding the payment of reinsurance balances in stipulated currencies and deposit of reserves. Furthermore, the Group may consider measures which would contribute to the improvement and strengthening of the position of the ceding companies in reinsurance markets, covering such measures as the development of adequate operational statistics and records for analysis and classification of risks in different classes of insurance, activities related to prevention of loss, and other organizational and operational measures.

(c) Reciprocity

In view of the complex nature of reciprocity, it would seem useful to discuss the special conditions under which the requirements for reciprocity on the part of the developing countries would prove advantageous. In this connexion, the Group may take into account questions such as the quality of risks (determined in terms of ratio of claims to premiums, or profit to profit basis, rather than quantum of premium) ceded and accepted, the size and retention capacity of the institutions effecting retrocession, and also the relationship between the ceding companies, the reinsurance institutions in the country and the reinsurance institutions abroad.

Item 6: International co-operation in the field of insurance and reinsurance covering technical assistance, training of personnel and exchange of technical and market information and statistics

The need for technical co-operation at the international level in the field of insurance has been emphasized in UNCTAD recommendation A.IV.23, particularly with reference to the provision of technical assistance and training for the sound

development of national insurance and reinsurance markets in developing countries. It was also recommended that competent international organizations should examine the question of adoption of uniform criteria for the compilation of insurance and reinsurance statistics. Accordingly, the Group may wish to suggest specific measures which would facilitate the implementation of the above objectives as far as reinsurance is concerned. They may include, among other things, proposals for the exchange of technical and market information and preparation of related reports or reviews.

Item 7: Adoption of the report of the Expert Group to the Secretary-General of UNCTAD

ANNEX III

Opening statement on behalf of the Secretary-General of UNCTAD  
by the Director, Division for Invisibles

Gentlemen:

The Secretary-General of UNCTAD regrets very much that he cannot be with us this morning and on his behalf I would like to welcome you most warmly. Dr. Prebisch has asked me in the first place to express his deep satisfaction that so many distinguished experts have gathered together here for this meeting and to assure you that he will follow with great interest your deliberations. He has also asked me to convey his appreciation for your accepting to act as advisers on this highly technical subject of reinsurance.

A few words of explanation would not be out of place as to how and why UNCTAD came to deal with problems of insurance and reinsurance. As you know, two years ago the United Nations convened in Geneva a Conference on Trade and Development. The question of insurance was put on the agenda, but some people wondered whether the Conference should take up such technical matters when it was devoting primary attention to much broader and more basic issues affecting developing countries. Looking back, I think we can safely say that the proceedings of the Conference confirmed that insurance and reinsurance have an important role to play in the process of economic development in so far as they provide the needed insurance protection for industrial commercial and other economic activities in the developing countries and mobilize funds in those countries for financing public and private investment projects.

I should like, if I may, to say something about the character of this meeting. If I am not mistaken it is the first time that a group of experts in this field, drawn from the different regions of the world, has been convened under the auspices of the United Nations. In discussions in the Committee on Invisibles and Financing related to Trade, the question was raised as to how to deal with such a technical subject as reinsurance, and it was generally felt that the best manner was through an expert group. UNCTAD is an intergovernmental organization, an organization of sovereign States whose representatives discuss and negotiate. But resort in the first place to an expert group which is to deal with the technical aspects of a problem is also a well-established procedure in the United Nations. In such a technical field as reinsurance it was felt particularly desirable that the problems



and issues involved should first be examined by a purely expert body. That is why Dr. Prebisch, in extending his invitation to you, emphasized that you would be acting in a personal capacity - in other words that you would be giving UNCTAD the benefit of your advice as technical experts on the manner in which the recommendations of the first Conference in the field of reinsurance can best be put into effect. You have come here bringing your own specialized knowledge and experience and you have generously agreed to serve in your personal capacity, guided only by the public interest, in the broad sense of this term. You represent here neither insurance companies and institutions nor your governments, and it is our hope and conviction that you will participate in this meeting free from any group or national considerations.

You will be dealing with problems which encompass the whole globe, but the UNCTAD recommendations that you will discuss are aimed at assisting in particular the developing countries. With twenty participants, this is a rather large gathering for an expert group, but I would invite you to bear in mind that what you do here interests a much wider community than the twenty countries from which you come and that in particular it interests all the developing countries, usually referred to in UNCTAD as "the 77". Yet in this room only ten out of twenty of you come from countries belonging to the 77. You should also bear in mind that, when your report is submitted to the Committee on Invisibles and Financing related to Trade, there will be forty-five governments represented, and at the second session of the Conference on Trade and Development there will be some 120 governments.

I do not wish to go into any details of the substance of this meeting, because you have already received the various papers - the agenda, the annotations thereto and the text of the Conference recommendations - but there is one thing which perhaps it is not out of place for me to mention. The purpose of this meeting is essentially to determine, on a technical and professional basis, the best way of implementing the recommendations on reinsurance of the 1964 Conference. These recommendations contain many provisions, and you are certainly familiar with them, but I would particularly like to remind you of the recommendation to develop and strengthen, in a spirit of international co-operation, the national insurance and reinsurance markets of developing countries. By its very nature insurance and reinsurance is not only national but also international in character, but that is no impediment to the

development of national markets and policies; quite the contrary. When we speak of international co-operation we should think in terms not so much of the past and present as of the future - especially when it comes to making policy recommendations addressed to the whole community of nations.

May I refer to another important point that came up at the 1964 Conference i.e. that the development of national insurance and reinsurance markets and international co-operation in this field should aim, within feasible limits, at alleviating the foreign exchange burden to the balance of payments of developing countries. At the same time, I hasten to add that it must not be forgotten that, like any other business, insurance operations have to be carried out on a sound commercial basis and that this consideration, too, is bound to weigh in your deliberations. I can assure you that there has never been in UNCTAD any intention of turning insurance or reinsurance into a charity, and that the need for a sound business basis has always been recognized.

Some international bodies are engaged in preaching lofty ideas, such as freedom of insurance, whereas in most countries insurance operations are subject to regulation. On the other hand, there are people who preach monopoly in the field of insurance while at the same time they turn to the international reinsurance markets because their own national basis is too narrow. I am confident that you, as experts, will avoid a wide-ranging debate giving expression to general philosophies of this kind and will hold your discussions in a businesslike and practical way. Perhaps I need not have made this appeal, since I am told that insurance and reinsurance people are very practical and businesslike. Yet although you should be down-to-earth, practical and realistic, please do not lose sight of the historical process we are witnessing in this second half of the twentieth century. When we speak of the development of national insurance and reinsurance markets of developing countries some people may be tempted to think that all this is aimed simply at taking away business from one part of the world and giving it to another. Such theories and concepts appear to me outmoded. I remember a report of the Economic Intelligence Department of the League of Nations. It showed, and events have since proved it right, that the process of development and industrialization did not lead to a decline in international trade, but rather to an expansion. The growth of industry in Western Europe

TD/B/C.3/29  
TD/B/C.3/AC.2/1  
Annex III  
page 4

and in the world at large in the last twenty years, and the growth of trade among developed countries, fully attest to the validity of this thesis. The industrialization and the expansion of trade of new countries have proved beneficial to the world community as a whole, not least to the older industrial countries themselves. I believe there is a similar relationship in the case of reinsurance. As the national income of developing countries rises, the volume of insurance and reinsurance business will also grow. Reversing the past trend, the developing countries are bound to expand their insurance and reinsurance activities and to develop their national markets, but there should be room for more business for all. So to my mind there is no danger that the aspirations of developing countries will be contrary to the interests of the traditional insurance markets.

May I conclude by re-emphasizing that, on the basis of the recommendations of the first Conference, your report is expected to discuss in detail measures which could give practical effect to these recommendations. I am confident that you will come forward with constructive and practical proposals.

ANNEX IV

Closing statement by the Chairman

Gentlemen:

Before turning to other matters, may I say how proud I am to have had the privilege of serving this distinguished group of experts drawn from all over the globe.

My first duty is to thank UNCTAD, on behalf of all of you, for giving us the opportunity of meeting here under such august auspices and in such a noble cause. Paradoxical as it may sound, though insurance is international in character there has not been enough appreciation, at the government level, of its importance to the economy of a country. You will remember Dr. Malinowski mentioning in his opening address that when insurance was first placed on the agenda of the first session of the Conference many wondered why such a step was at all necessary. Thanks to UNCTAD, there is now a growing realization among governments of the role of insurance.

At this meeting, which is the first meeting on insurance to be held under United Nations auspices that includes experts from all regions of the world, you gentlemen have made valuable recommendations which will greatly help insurers in developing countries and, through them, the countries themselves. Bearing in mind the special role of UNCTAD in helping in the development of these countries, you have appropriately suggested that UNCTAD should be the focus of all our endeavours in this field and the clearing house for ideas. On behalf of all of you gentlemen, I should like to assure UNCTAD that the distinguished experts assembled here and others in this field would consider it an honour and privilege on future occasions to place at the disposal of UNCTAD their knowledge and experience. I hope this meeting will only be a forerunner of others, where further aspects of insurance will be discussed.

The Group was convened to consider the problem of reinsurance of insurers from developing countries. By giving unstintingly of your valuable time and unrivalled knowledge and experience, you gentlemen have earned the gratitude of the millions who inhabit these countries.

I must congratulate you on the success that has attended your deliberations. As Assistant Controller and then as Controller of Insurance of the Government of India, and now as Joint Secretary to the Government in charge of Insurance Matters,

I have been in insurance for thirty-four years. I am therefore personally aware of how baffling the problems before you are. It is therefore particularly gratifying that in spite of this the Group has been able to make important and concrete recommendations.

That our recommendations have been unanimous in spite of wide differences in our traditions and backgrounds is indeed a matter for satisfaction. It only serves to demonstrate that technical people, meeting on a technical plane, can resolve their differences.

Turning now to the recommendations:

Our first recommendation, namely on item 3, is appropriately enough both important and concrete. In effect, it requires reinsurers to keep a significant proportion of their reserves in the country where the premium income arises. We have in fact gone a step further and advocated the investment of a part of the available capital in the developing countries. This recommendation, I am sure, will be greatly appreciated by the developing countries, which are in course of economic development.

In the next recommendation, that is on item 4, we have, if I may say so, combined sympathy for the national aspirations of developing countries with the traditional caution of reinsurers. I am sure that the studies undertaken in pursuance of our recommendation will lead to concrete results and thus help in strengthening the insurance and reinsurance markets of these countries.

Item 5 of the agenda was indeed the most baffling, in the sense that, since conditions vary so widely from insurer to insurer and country to country, no general solution to the problems is possible. We have therefore stressed that the best approach would be, first to formulate the problems and then study them in the light of whatever information and data may be available.

The last recommendation of the Group is in one sense the most important, as it goes to the root of all the problems, namely the lack of people versed in the latest techniques and practices in insurance and reinsurance. We have therefore emphasized the need for training. As technical knowledge and experience in those countries is gradually acquired, we may even hope for the day when UNCTAD will not need to be concerned any more with operational aspects of insurance in developing countries and related technical assistance.

TD/B/C.3/29  
TD/B/C.3/AC.2/1  
Annex IV  
page 3

My next duty is to thank those who helped us. Our thanks are due to the Rapporteur, Mr. Landin, who has laboured so hard, working late into the night to present a report which would accurately reflect our proceedings.

In conclusion, I would like to thank the UNCTAD secretariat and in particular Dr. Malinowski and Mr. Ganjei. Being present throughout the meetings to help, or rather guide us was only a part of the burden they shouldered. After the meetings they had to attend to many matters, failing which our meeting would not have functioned so smoothly.

ANNEX V

List of participants

MEMBERS

Mr. Kwesi ACQUAH-ROBERTSON  
Deputy Commissioner of Insurance  
Ministry of Finance  
Accra, Ghana

Sr. Adolfo M. AGUILERA  
Actuario del Instituto Nacional de Reaseguros  
Buenos Aires, Argentina

M. Habib ALOUINI  
Chef du Contrôle des Assurances au Secrétariat  
d'Etat au Plan et à l'Economie Nationale  
Tunis, Tunisie

Mr. Mohamed Ahmed Fouad EL-HAMZAWI  
Under-Secretary of State for Insurance Affairs  
Ministry of Economy and Foreign Trade  
Cairo, United Arab Republic

M. Jacques de FLORINIER<sup>1/</sup>  
Administrateur civil au Ministère de l'Economie  
et des Finances  
Direction des Assurances  
Paris, France

Mr. Cesareo H. GRAU  
Executive Vice-President  
Philippine American Life Insurance Company  
Manila, Philippines

Mr. Marcel GROSSMANN  
Professor of the St. Gall Graduate School  
of Economics, Business and Public Administration,  
St. Gallen, Switzerland

---

<sup>1/</sup> Replaced M. Pilot from 27 September to 5 October 1966

MEMBERS (continued)

Mr. Jaroslav HAJEK  
Manager  
State Insurance Institute  
Prague, Czechoslovakia

Mr. William C. GOULD  
Assistant Superintendent of Insurance  
State of New York, USA

Mr. Mark Howard Robert KING  
Assistant General Manager  
Commercial Union Assurance Group  
London, England

Mr. Leon KOZICKI  
General Manager  
"Warta" Insurance and Reinsurance Company  
Warsaw, Poland

Mr. Dan LANDIN  
Assistant Manager  
Folksam International Insurance Company Limited  
Stockholm, Sweden

Sr. Hugo LEON GUTIERREZ  
Subdirector de Crédito  
Secretaría de Hacienda  
Mexico City, Mexico

M. Georges Antoine LIURETTE  
Contrôleur des Assurances  
Ministère des Finances  
Abidjan, Côte d'Ivoire

Sr. Jorge do MARCO PASSOS  
Chef da Divisão Incendio e Lucros Cessantes  
do Instituto de Resseguros do Brasil  
Rio de Janeiro, Brasil

Mr. Hanns MOGWITZ<sup>1/</sup>  
Assistant Manager  
Munich Reassurance Company  
Munich, Federal Republic of Germany

---

<sup>1/</sup> Replaced Mr. Pfeiffer as of 3 October 1966



MEMBERS (continued)

M. Bruno de MORI  
Administrateur  
Union italienne de Reassurance  
Rome, Italie

Mr. Christoph PFEIFFER  
Director General  
Cologne Reassurance Company  
Cologne, Federal Republic of Germany

M. Jean PILOT  
Sous-Directeur  
Ministère des Finances  
Direction des Assurances  
Paris, France

Mr. Ananthachari RAJAGOPALAN  
Joint Secretary to the Government of India  
Department of Revenue and Insurance  
Ministry of Finance  
New Delhi, India

Mr. Mohamed SADIQ  
Deputy Managing Director  
Pakistan Insurance Corporation  
Karachi, Pakistan

Mr. Yuri ZHURAVLEV  
Vice-Chairman  
Foreign Insurance Department of the USSR  
Moscow, USSR

OBSERVERS

United Nations

COMMISSION ECONOMIQUE POUR L'EUROPE

M. Henri CORNIL

Inter-governmental organizations

CONFERENCE INTERNATIONALE DES CONTROLES  
D'ASSURANCE DES ETATS AFRICAINS,  
FRANCAIS ET MALGACHE

M. Tanor Thiendella FALL  
Secrétaire général adjoint

M. Jacques François  
DOUSTEYSSIER  
Commissaire Contrôleur  
des Assurances

TD/B/C.3/29  
TD/B/C.3/AC.2/1  
Annex V  
page 4

Non-governmental organizations

CHAMBRE DE COMMERCE INTERNATIONALE

Mr. Kurt SCHALLING  
Director  
Hansa-Maelaren Marine Insurance Co. Ltd.  
Stockholm, Sweden

AFRO-ASIAN ORGANIZATION FOR ECONOMIC  
CO-OPERATION (AFRASEC) - FEDERATION  
OF AFRO-ASIAN INSURERS AND  
REINSURERS (FAIR)

Mr. Mohamed Ali RIFAAT  
Secretary General (AFRASEC-FAIR)  
Mr. Osman RIFAAT  
European Representative (FAIR)

COMITE EUROPEEN DES ASSURANCES

M. Henri M. M. FAVRE  
Secrétaire général  
M. Lorenzo CAPOTOSTI  
Secrétaire général adjoint