Distr.
GENERAL

TD/B/C.3/189
22 November 1984

Original: ENGLISH

United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD

Committee on Invisibles and Financing related to Trade
Eleventh session (second part)
Geneva, 18 February 1985
Item 8 of the provisional agenda

INVISIBLES: INSURANCE

Insurance in developing countries: developments in 1982-1983

Study by the UNCTAD secretariat

GE.84-54280

Introduction

(i) At its second session (April 1967), the Committee on Invisibles and Financing related to Trade requested the Secretary-General of UNCTAD "to carry out at least once every two years reviews of developments in insurance, with special reference to developing countries". 1/ The present document, covering the period 1982-1983, has been prepared pursuant to this request. 2/

(ii) As in the past, part of the information and particulars needed for the preparation of this study was supplied to the UNCTAD secretariat by the Governments of developing countries in response to a request made by the Secretary-General of UNCTAD. This information has been supplemented from very diverse private sources, especially trade journals and periodicals. It has not, of course, been possible to verify the accuracy and coverage of the information obtained in this way.

(iii) This document does not claim to provide comprehensive information. The information included has been selected mainly on the basis of its relative importance to the development of the insurance sector in developing countries. More particularly, it tries to identify the factors which have hindered the expansion of this sector and those which have promoted its individual and collective potentials.

(iv) Chapter I of this study deals with domestic insurance markets and their structural developments. Chapter II includes information on measures adopted with a view to increasing the strength of these markets. Chapter III deals with the problem of State supervision and the new measures which were adopted on questions of solvency and contractual relationship between insurers and insureds. New developments in the field of reinsurance are covered in Chapter IV, while Chapter V deals with co-operation among developing countries in the field of insurance and reinsurance.

1/ See Official Records of the Trade and Development Board, Fifth Session, Supplement No. 3 (TD/B/118/Rev.1), annex I, sect. A, para. 6.

2/ The periods 1968-1970, 1971-1972, 1973-1974, 1975-1976, 1977-1979 and 1980-1981 were dealt with in documents TD/B/C.3/99, TD/B/C.3/107, TD/B/C.3/122/Supp.1, TD/B/C.3/141, TD/B/C.3/169 and TD/B/C.3/178 submitted to the Committee on Invisibles and Financing related to Trade at its fifth, sixth, seventh, eighth, ninth and tenth sessions (December 1971, July 1973, November 1975, December 1977, September 1980 and December 1982, respectively).

Chapter I

DEVELOPMENTS CONCERNING THE INSURANCE MARKETS IN DEVELOPING COUNTRIES

A. Basic structural changes

1. In general, there are few countries where drastic changes in the structure of the insurance markets occur and this is particularly true of the period under review. Exceptions to the rule are those reported in the following paragraphs, and mainly concern general modifications of ownership and nationality of the insurance industry through governmental decisions. It would be wrong, however, to assume that these decisions alone are responsible for the modification of market structures. The fact is that a great many developments reported in this document, especially those falling under "localization", supervisory systems, exchange controls, reinsurance and regional co-operation, have, to a greater or lesser degree, a direct or indirect impact on structures, sometimes on a longer-term basis and with more pervasive effects than those achieved through drastic direct decisions. This should be kept in mind when considering the present section on "Basic changes" and other sections with less explicit titles.

2. In Burundi, the insurance monopoly vested in the "Société d'assurances du Burundi - SOCABU" 3/ has now come to an end. A Ministerial ordinance of 2 November 1982 cancelled to this effect a regulation adopted in June 1977 by which all insurance operations in the country were to be carried out by SOCABU. At the same time a Ministerial ordinance of June 1983 sets out a number of conditions to be met by insurance companies applying for an insurance licence and opens the market to (limited liability) companies with at least 35 per cent of domestic capital established in the country. Conditions for obtaining a licence include a minimum share capital (30 million Burundi francs), and a minimum guarantee fund of 10 million Burundi francs, this deposit being earmarked to meet the payment of important claims arising during the first year of operations. Tariffs, accounting plans and reinsurance treaties must also be submitted and approved. Reinsurance treaties, in particular, "must be compatible with the imperatives dictated by the need to save foreign exchange and should provide sufficient guarantees to policy holders and beneficiaries".

3. In Sao Tomé and Principe, a new "insurance system" has been established with the basic objective not only of providing protection but also of making better use of national savings and of helping the balance of payments through the retention of an optimum amount of premiums. This objective has called for the establishment of a national company ("A Compensadora"); its charter of incorporation includes, as a main task, the promotion of loss prevention campaigns and assistance in the establishment of an independent institution to carry out loss prevention activities.

4. Conditions for the licensing of new insurance operators, with potential effects on the structure of the insurance market, have been changed in several countries. In Haiti, for instance, a licensing system established in 1981 by

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3/ See "Insurance in developing countries. Developments in 1977, 1978 and 1979" (TD/B/C.3/169), para. 9.

a special decree has laid down that only joint stock companies, either domestic or foreign, will be authorized after they have shown evidence of the existence of a minimum share capital which is 1,250,000 gourdes for domestic companies. A deposit is required for domestic and foreign concerns ranging in amount from 75,000 to 1,000,000 G, depending on the gross premium income. A number of other requirements are also laid down. The decree establishes the basic principle that insurance for any risk involving persons domiciled in Haiti must be taken out exclusively with insurance companies to which a licence has been granted. Insurance policies which would break this basic principle would not be considered as legally binding by the domestic courts and would not be admitted by them in a litigation involving insurance claims. Banks will not issue letters of credit if they are not guaranteed by an insurance policy which had been issued in conformity with the above regulation. (See para. 36 in connection with marine insurance for imports.)

5. Some changes are also reported in Indonesia where, for the life insurance business, permission may now be granted to foreign insurance companies to set up joint ventures with local insurance companies already possessing a licence to operate. A policy of encouragement of joint ventures was reported in a previous issue of this review. 4/

6. Very similar policies in Malaysia 5/ have resulted in an increase in the proportion of premium income written by the companies established under local law from 24 to 81 per cent of the total (see para. 15). The Government has requested foreign insurers to submit proposals to restructure their Malaysian operations in accordance with the country's economic policy. 6/

7. In the Republic of Korea, the automobile insurance monopoly has been liberalized. In 1983, 10 general insurance companies obtained permission to operate the automobile branch, which had previously been handled only by the Korean automobile insurance company. This company has also obtained an authorization to operate all other classes of non-life insurance.

8. A few countries (e.g. Malaysia) have decided to suspend the issuance of new licences for the time being. The decision may have been made in response to the pressures of the established market, which tries to prevent the penetration of potential competitors, or on the grounds that an excessive number of companies has a negative influence on the performance and capacity of the market as a whole. 7/

9. In Kenya, it is said that a new insurance bill which has been considered during the period under review will indirectly encourage local ownership of the insurance industry. There is often a correlation between the adequacy and

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4/ See TD/B/C.3/169, para. 10.

5/ *Ibid*., para. 27.

6/ See World Insurance Report, London, 12 March 1982.

7/ See "Reinsurance problems in developing countries" - study by the UNCTAD secretariat (TD/B/C.3/106), para. 120.

strength of a supervisory system to ensure solvency standards and the existence of a favourable environment where local entrepreneurship can develop, even in the absence of any explicit legislative measure in that direction. This may be particularly true of a country like Kenya, where according to the professional press, foreign insurance has been so far allowed to operate without restriction, except for marine cargo and compulsory motor insurance. About three-quarters of all Kenyan business is produced by brokers, most of which have close links with United Kingdom and other foreign intermediaries. "Although the local industry is in some respects dominated by four wholly Kenyan-owned insurers, foreign interests in the remaining 26 are mostly substantial". 8/

10. In the United Arab Emirates, an insurance law that is being drafted at federal level is expected to require that all insurance companies operating and/or domiciled in the United Arab Emirates be wholly owned by United Arab Emirates citizens. It is reported that this measure will have a strong influence over the insurance markets of Dubai, where of more than 40 companies only 5 are officially wholly owned by local citizens. The other companies would therefore be open to government intervention aimed at securing the takeover of any outstanding foreign-owned equity by United Arab Emirates investors. 9/

11. In the Seychelles, an Insurance (Restriction of business) Bill was introduced in October 1982 with the object of making sure that insurance business is transacted through the State Assurance Corporation. Henceforth, no other person or organization may carry on insurance business in the country.

B. New companies of special interest

12. Information concerning the establishment of a new company in Sao Tomé and Principe to take care of the administration of a new insurance system that the Government wishes to implement, is given in paragraph 3.

13. In some other developing countries, the efforts of the Government in the insurance sector have been directed towards the establishment of new enterprises specializing in the cover of risks affecting important sectors of the developing economies. Agricultural insurance companies 10/ and those specializing in export credit insurances are most obvious examples. In the Dominican Republic, "Aseguradora Agropecuaria" was licensed in October 1983 to insure crops and livestock. The Government considers this development as a project of great importance to the sector to which the activities of the company are directed. Similar companies are projected in Togo, and probably other developing countries as well. In Tunisia, plans to set up an insurance company covering export credit risks are also under way, as well as a company to deal exclusively with life insurance and an off-shore company for risks situated outside the national territory.

8/ World Insurance Report, op. cit., 21 May 1982.

9/ Ibid., 26 March 1982.

10/ See "Crop Insurance", published by the Asian Reinsurance Corporation, Bangkok, May 1984, for updated information on crop insurance systems in a selected number of developing and developed countries.

14. In Mexico, also, a new life company has been set up ("Aseguradora Obrera"), the objective of which is to cater to the working classes' needs for security and to complement the modest benefits of the social security system. This particular objective and the operational systems that the company has set up for itself put this company at quite a different level from that of the other life companies already existing in the country.

C. The policy of "localization"

15. In Malaysia, the government is pursuing a policy of greater Malaysian participation and control in the insurance sector. The foreign branches and subsidiaries are as a result undergoing a process of indigenization, involving portfolio transfers of their businesses to newly incorporated local companies. The foreign insurers are, however, allowed to participate in these new companies to an extent not exceeding 30 per cent of the paid-up capital. At present, the number of insurers is 65, of which 48 are incorporated locally with the balance being branches of foreign insurers. It is expected that the remaining foreign branches will complete their restructuring by 1990. "Delaying tactics (to submit restructuring plans) will only jeopardize their long-term interest in (the) country", the Finance Minister is reported to have said addressing a meeting of the Insurance Association on 20 May 1982. 11/

16. In Trinidad and Tobago, the localization efforts reported in previous issues of this review 12/ have borne fruit during this period. In motor business and all other business except life and motor insurance, the corresponding percentage of premium written by local companies is 99.5 per cent and 90 per cent. In long-term business (mainly life insurance), local companies underwrite now almost 85 per cent of total net premiums income, while other companies from the Caribbean area account for 10 per cent, the rest being underwritten by foreign companies. Subsequently, the major foreign insurance companies practically ceased writing new business, a development largely due to a policy-oriented tax requirement which does not allow premiums paid to foreign life companies to be allowable as deduction for the determination of the tax liability of policy-holders (see also para. 63 below). In the case of locally incorporated companies, 40 per cent of premiums paid are allowed.

17. In Jamaica, new developments in localization are similar to those in other Caribbean countries. The Jamaica International Insurance Co., Kingston, among other companies, started business in 1982. The initial paid-up capital of this company was largely subscribed locally, to take over the relatively big share in the local business which had been operated by the British Provincial Insurance Company. This company retains a 10 per cent shareholding in Jamaica International.

18. In the Central African Republic, all foreign agencies and branch offices operating in the country whose turnover is 150 million CFA francs or more must now be locally incorporated.

11/ World Insurance Report, op. cit., 4 June 1982.

12/ See TD/B/C.3/169, para. 21, and TD/B/C.3/178, para. 15.

19. In Zimbabwe, too, projects for new legislation include an obligation to incorporate locally. A State reinsurance corporation was to be established in 1984 to complement the localization measures. It is reported in this respect that, except for some of the 20 brokers, almost all Zimbabwe's 90 insurance undertakings are wholly or partially foreign-owned. Local retentions are thought to run at just over 50 per cent. 13/ Developments reported in Kenya (see para. 9 on draft legislation) are geared very much in the same direction.

20. In the United Arab Emirates, a new insurance law aimed at reserving the ownership of all insurance companies for United Arab Emirates citizens (see para. 10) is thought to have strong effects on localization of the industry.

21. Localization policy relates not only to insurance companies proper but, in some countries, it is also directed at brokerage and other ancillary activities being taken over by national interests. In this context, concern expressed by Indonesia and other ASEAN member countries over the activities of off-shore insurance brokers is shared by a number of other countries in other developing areas.

D. Activities of international insurers, reinsurers and brokers in developing countries

22. Press reports indicate that the international brokerage firms are maintaining or increasing a widespread presence in developing countries, even in those where insurance has become the domain of indigenous companies. The opinion has been expressed that the expansion of international insurance brokers in developing countries stems from the fact that these brokers, through their world-wide contacts, handle most of the large multinational accounts, i.e. operations emanating from transnational corporations in respect to property and liability situated in developing areas. Many of those brokerage firms do not confine their activities to the placing of direct insurance with the locally licensed companies, but also handle the reinsurance of such risks.

23. This way of handling both direct insurance and reinsurance of local risks creates a situation in which local insurers become virtually rubber stamps, and their role in underwriting, selecting, rating and reinsurance is very limited.

24. The French Groupe français d'Assurances (Paris), already well established in French-speaking Africa, is planning to expand in those African markets traditionally dominated by British companies with emphasis on the generation of reinsurance business. Business has already been received from Nigeria, Ethiopia, the United Republic of Tanzania and Sierra Leone, with the insurer participating in direct writings and reinsurance from the State-owned companies in their countries. As part of GFA's drive for expansion in Africa, the Group's capital was increased from Fr. 45 million to Fr. 128 million. 14/

13/ *World Insurance Report*, *op. cit.*, 3 June 1983.

14/ *Ibid.*, 4 June and 21 May 1982.

25. The Far East and South America are the targets for a considerable drive to expand on the part of the Cigna Corporation (United States), according to declarations by its President. The planned expansion stresses financial services rather than solely insurance products, a policy being followed by a small number of transnational insurance groups, mainly of the United States. 15/ Fireman's Fund Insurance, of San Francisco, has expressed its intention of expanding in the Asian-Pacific region. An agreement, signed in Kuala Lumpur in June 1982, permits this company to set up a broad framework of co-operation in South East Asian insurance business with the Malaysian-based diversified trading group, Simme Darby Holding Berhad. This conglomerate is linked with several insurance and reinsurance organizations in Hong Kong, Malaysia, Singapore, Thailand and other countries of the area. The planned expansion confirms that the present trend is towards the development of financial services rather than insurance products only.

26. At the country level, the following paragraphs provide some information on developments related to the involvement of insurance enterprises of developed countries in developing markets. However, a word of warning is in order. The reporting in this section of activities of foreign companies in developing countries does not purport to make any value judgement. In some cases, foreign involvement will help the implementation of the "localization" policy and bring new systems, technology and capital to the insurance sector. This involvement is generally made with the agreement of the local market and/or of the insurance commissioner of the country. In other cases, it may have a paralysing effect upon domestic initiatives and will disrupt sound competitive conditions. To avoid serious errors of classification, this document simply sets out the information as shown in periodicals and other reports and avoids all qualitative analysis of the implications for the country concerned and for its insurance industry.

27. In Peru, Afia Worldwide Insurance (United States) has established Compañía de Seguros Condor as its affiliated insurance company (controlled subsidiary). 16/

28. In Chile, "Reaseguradora Bernardo O'Higgins" has been set up with the participation of the American Reinsurance Company, New York.

15/ "It is our view that there is a good deal of business to be developed in overseas markets in terms of packages of financial services that include insurance", he also said. Press reports indicate that "another example of Cigna's intentions to move into providing full financial services is the recent announcement that it will provide credit to United States and foreign exporters through its new joint venture with a Singapore company ... We see good growth opportunities in trade finance and we recognize the importance of branching out beyond insurance into other types of financial services", a Cigna executive pointed out (World Insurance Report, op. cit., 16 December 1983).

16/ World Insurance Report, op. cit., 2 December 1983.

29. As pointed out above (para. 17), the Provincial Insurance Company (United Kingdom) participates in Jamaican International Insurance in Jamaica. Gros Savoye, Paris, has opened its fourth African office in the Ivory Coast with a capital of 10 million francs CFA. In Zimbabwe, Shield of Zimbabwe Insurance Company has been formed with the participation of the New Zealand Insurance Company with a paid-up capital of $US 400,000 and an authorized capital of $US 500,000.

30. The Groupe des Sociétés mutuelles générales françaises (France) has set up a branch in Singapore and established the Norman (Hong Kong) Insurance Company as a joint venture with a local group.

31. In Nigeria, a joint venture (The Fire, Equity and General Insurance Company) has been established by Afia (United States) and Taisho Marine and Fire (Japan). It is reported that "this new operation, which also involves a number of prominent Nigerian businessmen, is part of Afia's plans to expand its African network. The company will be able to offer a complete local servicing facility for the many international accounts of Afia and Taisho which are located in Nigeria". 17/

32. Many complaints have been heard in Panama about some international insurers which have used this country as a base for irregular reinsurance operations. It is generally admitted that these operations took place in effect in the London market and nominal, non-licensed, Panama subsidiaries acted as a front. 18/

33. International insurance and reinsurance as they affect developing markets were not indifferent to the armed conflict between Argentina and the United Kingdom over the Falkland Islands (Malvinas) in 1982. 19/ Argentina did not reinsure its risks in several countries; instead a great part of its risks was covered in London. In particular, the London market suspended or curtailed marine and aviation coverage on Argentine vessels and aircraft as well. This would have effectively brought a halt to activity of commercial vessels and aircraft, an activity which Argentina considered essential to its national security. The government made alternative arrangements through its National Reinsurance Institute ("Instituto Nacional de Reaseguros" - INDER) to provide coverage. 20/

34. As a corollary to the above developments, mention should also be made of the activities of insurers of developing markets in the developed ones. In fact, expansion abroad by companies of developing countries has not been frequent during the period. A depressed world-wide insurance and reinsurance market has not encouraged many initiatives in this respect. An exception is that of

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17/ *Reactions*, London, December 1983.

18/ *Ibid.*, May 1983.

19/ A dispute exists between the Governments of Argentina and the United Kingdon of Great Britain and Northern Ireland concerning sovereignty over the Falkland Islands (Malvinas).

20/ *Reinsurance*, London, vol. 1.15 (July 1983), p. 129.

People's Insurance Company of China, which has participated in the creation of the China American Insurance Company, a Bermuda company formed jointly with American International Group, New York. The new company has been admitted as a branch operation in New York State. It is reported that "the Bermuda company has stressed reinsurance, but its new United States branch will write multi-line direct property-casualty covers, concentrating initially on policies for United States companies in China, Chinese-United States joint ventures and Chinese organizations in the United States of America". 21/ The same source of information reports on progress achieved by the China Reinsurance Co. (HK), in Hong Kong, which is 50 per cent owned by the People's Insurance Co. of China, Beijing, and 50 per cent by China Insurance Co. and Tai Ping Insurance Co., Beijing, and Ming An Insurance Company, Hong Kong.

21/ World Insurance Report, op. cit., 18 June 1982.

Chapter II

MEASURES AIMED AT THE STRENGTHENING OF DOMESTIC MARKETS

A. Measures to expand and diversify insurance business in developing countries

35. Several developing countries have adopted legal and administrative measures aimed at involving the local market in the insurance of the transportation risks for imports. Non-governmental initiatives in similar direction are also reported; in the Persian Gulf, the Federation of Chambers of Commerce, Industry and Agriculture of the Arab States of the Gulf has urged Gulf traders to insure their imported goods with local companies. 22/

36. In the Central African Republic, according to an Ordinance of August 1982, transportation of imported goods must be made locally with any of the Government-licensed companies. Delivery of imported goods from customs warehouses will only be permitted upon the production of a local insurance certificate for the whole value. Very similar measures have been laid down in Haiti, Mali and Tunisia. In Senegal, the obligation of local insurance is to be extended to vessels flying the national flag. In Zambia, where there is no government compulsion to insure imports locally, the Bank of Zambia issued a directive to the effect that all imports and exports must be insured with the Zambia State Insurance Corporation. Future letters of credit would only include C & F payments. The Central Bank of Malta has also been instrumental in ensuring that all imports to Malta be negotiated on a C & F basis only, which implies that the insurance is to be arranged in Malta.

37. In Togo, incentives to buy insurance from the local market have been provided by a tax levy on all insurance contracts which are underwritten outside the national territory by any resident and for any property situated therein. This regulation is said to strengthen the basic principle, which is also included in the national legislation, that all risks situated in Togo can only be insured with a company to which authorization has been granted by the Government. 23/

38. Other categories of insurance have also been the subject of particular encouragement, with a view to attracting higher premium income and achieving a larger degree of self-reliance in the insurance sector. In Cameroon, for instance, efforts have been made to provide local insurance for investments on off-shore oil fields.

39. Other measures aimed at expanding local transactions of marine insurance have been adopted in a few developing countries through tax incentives. In Malaysia, for instance, the Government is promoting greater localization of cargo insurance on imports by allowing double deduction of premiums provided the cover is issued by a Malaysian incorporated insurance company.

B. Promotion of new categories of cover for domestic risks

40. Many of the risks which are actually incurred in a number of developing countries and a range of financial services which are increasingly associated with insurance business are not yet being met by an adequate domestic supply.

22/ Ibid., 24 September 1982.

23/ No statistical evidence has been made available as to the actual impact of this and similar measures upon the volume of domestic transactions.

Domestic insurance industry is being encouraged in some countries to provide cover in new categories of business but expansion in this direction, in certain cases, is facilitated by the foreign companies, in other cases, it faces serious difficulties, among which are the preferential positions held by certain foreign companies. These positions often stem from the links they may have with local financial institutions and transnational investments. Other difficulties in some countries are caused by a lack of technical know-how and professional qualifications. In any case, the assumption that foreign competition makes up for the stagnation of local markets has been hinted at on more than one occasion during the period under review: "It is our view that there is a good deal of business to be developed in overseas markets in terms of packages of financial services that include insurance", said the General Manager of Cigna Corporation, New York. This opinion applies very aptly to the lack of development of life insurance (especially group life insurance) in developing countries. Combined with the absence of social security systems in many of these, the lack of local competition is particularly welcomed by foreign insurers: "There is not much competition (in life insurance) and this is a potential growth area, since many companies provide employees with life assurance in the absence of adequate social security in Latin American countries", said the General Manager of the Panamanian affiliate of Cigna, New York. 24/

41. Promotion of agricultural insurance seems to be a permanent endeavour in many developing countries. The objective is to make insurance available to the rural sector, as a means to encourage rural credit and investment in line with agricultural production policies. The importance of the subject was strongly highlighted at the Ninth African Insurance Conference held in 1982 (see para. 129). The following paragraphs provide information on new rural insurance schemes that have been set up during the period under review or are to be started immediately in the period ahead.

42. In Burma, the State-owned Myanma Insurance Corporation now makes available life and accident insurance to farmers and members of their families in an area comprising 50 townships. The success of the experiment encouraged an extension of the scheme, which currently covers almost 3 million policies representing half of the members registered with peasant organizations. It was expected that in 1983 the risks included in the scheme would cover cattle, educational requirements of youth and the needs of the elderly.

43. A new scheme in Costa Rica ("Fondo Nacional de Contingencias Agrícolas") focuses on losses arising from catastrophic risks, and it will provide farmers with indemnities according to a given proportion of losses. The Fund will receive, instead of premiums, a percentage (3 per cent) of the value of crops paid to the producers and it will also receive loans from public and private sources as well as donations. The Fund will have administrative support from the National Insurance Institute, a representative of which will also sit on the Board of Directors,

44. In the Dominican Republic, the creation of the "Aseguradora Agropecuaria - ADACA" (see para. 13) will permit the coverage of risks in the agricultural sector. The Ethiopian Insurance Corporation is also planning to introduce a new type of cover for crops and livestock. The Government of Malaysia has urged the local insurance industry to undertake feasibility studies on the promotion of crop insurance schemes. A similar development is under way in Nicaragua, where the Nicaraguan Institute for Insurance and Reinsurance ("Instituto Nicaragüense de Seguros y Reaseguros") is planning a new

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24/ World Insurance Report, op. cit., 25 March 1983.

scheme in co-operation with agricultural specialists of the Government. The National Insurance Corporation of Nigeria is also involved in a similar study, which would be part of the governmental Green Revolution Programme. Developments in Zambia point in much the same direction. The newly established "Mutuelle d'Assurance agricole" in Togo forms part of the government policies on food self-reliance and development of livestock and fisheries resources. As very rightly pointed out in this country, "it is necessary to encourage financial institutions to finance investments in the agricultural sector, and this calls for a guarantee which will permit these institutions to recover the loans when an agricultural calamity resulting in the insolvency of the borrowers occurs". The new "Mutuelle d'Assurance agricole" will be called upon to strengthen the objectives set for the Fund for the Guarantee of Agricultural Credits ("Fonds de Garantie des crédits à l'agriculture").

45. The absence of an insurance supply in other categories of insurance has also been the subject of special efforts. In Indonesia, export insurance and export credit guarantees will be provided by the Government, through the intermediary of Askrindo, a specialized insurance undertaking. The difficulties facing operations in this category of business are exemplified by the decision made by the Banco de Seguros del Estado del Uruguay, which has suspended operations of export credit insurance which had hitherto been sold on a voluntary basis. Among those difficulties are the well-known financial hardships of neighbouring countries, to which most Uruguayan exports are directed, the strong anti-selection policy followed by local exporters, for whom the export credit insurance is not compulsory and the apparent lack of interest of export financing firms, which have not requested that credit be insured as a condition to provide financing. In Colombia, the insurance system which was set up in 1968 has been changed, and the traditional cover provided in respect to exports of goods is now extended to the risks derived from the export of "technical services" to the countries of Central America and the Caribbean. It is also reported that China's international investment organization is offering political risks insurance in conjunction with the People's Insurance Company of China.

46. Some developing countries with large maritime fleets are examining the possibility of setting up national or regional organizations to cover the risks of shipowners' protection and indemnity in the way that has traditionally been provided by the P & I Clubs. The General Insurance Corporation of India is said to be considering the matter and is expected to make a feasibility report shortly. Several Latin-American countries are making similar efforts. The fact that clearance in many ports is only given to vessels enjoying protection from the P & I Clubs, which are all located in developed areas, aggravates the difficulties. These difficulties stem mainly from the enormity of the liabilities involved, which call for a vast spread of risks among different countries and entities.

47. Regulations to encourage life and group life insurance were laid down in various countries including the Central African Republic, Costa Rica, Morocco, Nicaragua, Pakistan and Tunisia.

48. To provide cover for catastrophe losses is a necessity which is far from being met in many developing countries. Unfortunately, very severe losses of a catastrophic nature have occurred during the period under review. In Latin-America alone, Argentina was hit by its most serious floods this century (500,000 km^2 of valuable agricultural land under water), Bolivia was affected by drought over 33 per cent of the national territory, floods in Brazil affected

soya exports and infrastructure (public works), while in Colombia a landslide after heavy rains was responsible for the death of 125 people and severe damage to a very important hydroelectric project. In Ecuador, 350 million dollars' worth of damage was done by widespread flooding in coastal provinces. Damage in Peru due to rainstorm and floods in the first half of 1983 was estimated at $US 850 million. In Uruguay, about 5,000 people lost their homes after the flooding of the river Uruguay. Many of these and other losses of a catastrophic nature were not covered by insurance. It is impossible to calculate the economic and social effects of this absence of protection.

49. Specific measures on catastrophe insurance have been taken in Colombia. Supervisory authorities have issued detailed rules for new compulsory earthquake cover. According to Decree 1979, and to Decision 4439, of 1983, earthquake cover is no longer ancillary to fire or other business, but is considered as a separate branch, consequently insurers are now permitted to issue cover for earthquakes only. All policies are to be issued with a 20 per cent co-insurance to be borne by insureds, and with a deductible of 2 per cent or Colombian pesos 10,000, whichever is higher. All risks in which the State has a direct or indirect interest must be insured against earthquake. According to the professional press, "this means that all savings and loan associations and building societies and similar mortgage and lending institutions must require insurance of properties in the hands of their borrowers to include the obligatory earthquake cover. The same applies to banks and to insurance companies themselves in respect of real estate that serves as collateral for their investments". 25/

50. Other provisions of the new Colombian regulations include the maximum liability of insurers in respect of earthquake policies. Net liabilities will be calculated on the basis of a 25 per cent probable maximum loss ("pérdida maxima probable" - PML) for each of the zones into which the country has been divided. An individual insurer's exposure is limited to 10 per cent of its net worth as at 31 December of the previous year. Net liabilities mean liabilities arising from insurance contracts, less co-insurance and less re-insurance transacted on a proportional basis. Liabilities beyond the 10 per cent net worth (i.e. paid-up capital and free reserves) must be reinsured with foreign companies duly licensed by the Colombian supervisory authorities, under catastrophe cover. Licences to foreign reinsurers are subject to strict conditions as to basic financial guarantees (net worth, solvency margins) and technical performance (experience and reputation).

51. In more general terms, the problem of catastrophe cover was considered at the first meeting of the International Working Group on Natural Disaster Insurance (February 1983) which was sponsored by the United Nations Office of the Disaster Relief Co-ordinator (UNDRO), the United Nations Educational Scientific and Cultural Organization (UNESCO) and the International Association for the Study of Insurance Economics (Geneva), with the participation of specialists from developing and developed countries. A general consensus emerged that disaster-related losses are going to increase, in some cases dramatically. The reasons for this include population increase, urbanization, the spread of new development to high risk sites and the growing popularity of energy-related projects.

25/ World Insurance Report, op. cit., 26 August 1983.

The increase in building costs has magnified reconstruction problems. This escalation of potential losses has serious implications for the insurance and re-insurance industry, particularly in developing countries. Problems for the industry derive particularly from the lack of reliable predictions with respect to the magnitude of losses, which prevents the setting of realistic premium rates. Several participants stressed the requirement for better data collection and for more sophisticated planning of building behaviour during a disaster.

52. The opinion was held that insurance and re-insurance companies should be encouraged to promote disaster mitigation strategies. Government involvement in catastrophe insurance raised a number of unanswered questions: (1) Should it merely offer an upper level of protection in the case of major catastrophes as a complement to indemnities that insurers and reinsurers are able to provide? (2) Has the Government no place in the cover of catastrophe risks? (3) Is its role simply one of providing better data on which the insurance industry and the public can make more rational decisions? A number of recommendations were issued, which are of particular interest to developing countries because of the relative weakness and low risk-bearing capacity of the insurance industry in these countries in contrast with the relatively high catastrophe exposure and loss potential there.

53. The recommendations of the Working Group are set out in the annex to this review. They address a number of issues which are relevant to the study that the UNCTAD secretariat is preparing under the specific mandate given to it by the Committee on Invisibles and Financing related to Trade in resolution 19(IX) 26/ on the question of natural catastrophes and their insurability in developing countries.

C. Other measures aimed at strengthening local markets

54. Co-ordination of interests between companies and intermediaries is generally considered to be a major instrument for strengthening local markets. In Colombia, companies' and brokers' associations have signed an agreement, with the full support of supervisory authorities, which calls for stricter guidelines on rating, punctuality in premium collection and other sensitive matters such as offering to another company business that has been cancelled because of non-payment of premiums.

55. Loss prevention is another field of activity where markets in some developing countries are strongly involved. Fighting against maritime fraud is a substantial part of loss prevention. On this matter, the UNCTAD Committee on Shipping decided to set up a special inter-governmental group to consider all means of avoiding maritime fraud, including piracy (resolution 49(X)). 27/ Similarly, the International Maritime Organization (IMO), at a meeting held in November 1982, called for all governments to tighten legislation on maritime fraud. In particular, IMO requested stricter practices in the question of administration of national shipping registers, transfer of ownership, nationality or change of name of ships. Another recommendation was that governments introduce and enforce

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26/ See the report of the Committee on Invisibles and Financing related to Trade on its ninth session, second part (TD/B/833 - TD/B/C.3/174).

27/ The first session of the group took place in February 1984.

legal penalties for acts of maritime fraud. It was reported that the International Maritime Bureau, which was set up by the International Chamber of Commerce specifically to deal with maritime fraud, 28/ was investigating a fraud of $US 60 million in Malaysia.

56. The insolvency of certain reinsurers and the many doubts as to whether the financial situation of the international re-insurance market would resist the occurrence of a major loss or could meet the accepted criteria on solvency is considered to pose serious threats to many developing markets which rely on international re-insurance for protection. 29/ The matter is of importance not only to these markets, but to developed ones as well. As reported in the professional press, proposals have been put forward at the initiative of Mr. Albert Lewis, the former New York Insurance Superintendent, covering the following four areas: (1) An international treaty in which the individual governments undertake to confirm the viability and financial strength of the reinsurers domiciled in their country and provide a forum for the settlement of re-insurance disputes; (2) Supervision within the entire United States of re-insurance brokers on the lines of the New York statute; (3) Limitation of fronting operations; (4) Generally stronger measures against fraudulent practices and companies which cannot obtain a satisfactory audit certificate. 30/

57. The feeling in many developing countries is that international re-insurance transactions should be subject to some standards in respect to solvency of reinsurers, as failure to meet the latter commitments would involve widespread breakdown in many developing markets. Minimum solvency standards should be negotiated at an international level, with the full participation of the ceding companies and countries, a matter that is being given increasing attention especially by supervisory authorities in developing countries, which are responsible for the strength and growth of these markets.

58. By all accounts, one of the most effective measures for helping local markets ~~to~~ grow on a healthy basis is to promote insurance education. The main developments in this field relate to a new training institute, sponsored by the Arab Reinsurance and Insurance Group (ARIG), to be set up in Bahrein. The institute was conceived when ARIG itself was established as a means of providing specialized training for insurance and re-insurance professionals, and is aimed at the potentially large group itself and Middle Eastern companies in general. Contacts are being made with other developing markets as well as the Arab countries with the view of determining their needs for the training of insurance executives. 31/

59. In Zambia, the Zambia State Insurance Corporation is promoting the establishment of the Zambia Insurance Business College, with the participation of foreign insurance firms. The college will offer a diploma course in insurance business studies, a four-month full-time diploma course in insurance management, a certificate course in insurance management and a certificate course in accounts and business studies among other possibilities.

28/ See TD/B/C.3/178, paras. 71 et seq.

29/ The specific question of re-insurance transacted by developing countries (active reinsurance) is more generally dealt with in Chapter IV.

30/ See Foresight, London, May 1983. The problem of fraud and possible general insolvencies in the international re-insurance market, with strong effects upon markets in developing countries has already been raised in previous issues of this review. See TD/B/C.3/178, paras. 113 et seq.

31/ For other educational activities, at a regional level, see paras. 140 et seq.

60. Among other activities in that field, mention should be made of those undertaken in Mali, where the insurance supervisory office organized an insurance workshop on 17-19 January 1983, with the participation of local insurers, representatives of ministries, courts and other interested sectors. Lectures were delivered by representatives of the CICA secretariat ("Conférence Internationale des Contrôles d'Assurances des Etats Africains") and of UNCTAD. A round-table meeting on automobile insurance took place in Yaoundé (Cameroon) in January 1983.

Chapter III

NEW REGULATIONS RELATING TO THE SOLVENCY AND ADMINISTRATION OF INSURANCE COMPANIES

Introduction

61. Preceding issues of this review have already addressed the problem of the absence of effective insurance regulations on solvency and accounts in many developing countries and the necessity of making greater efforts to fill the gaps. "It is often assumed that because efficient supervision in [the setting up and monitoring of efficient accounting methods] and other areas does not yet exist in many countries, inappropriate accounting systems still prevail and it may well be that, as a result, critical financial situations are being disguised". 32/ The opinion expressed with respect to the preceding biennium would suit even better the period under review. Many fears have been confirmed about situations where invested funds do not match potential liabilities of insurance companies.

A. New legislative and supervisory systems

62. In Jordan, a new law was promulgated in 1983 for entry into force in February 1984. Its main provisions are as follows: (1) minimum capital requirements increase from 100,000 dinars to 1 million dinars; (2) foreign insurers are requested to increase deposits from 10,000 to 100,000 dinars for each class of general business they intend to carry on; deposit in respect to life insurance increases from 20,000 to 150,000 dinars; (3) deposits to be effected by Jordanian companies increase from 10,000 to 75,000 dinars, except for life insurance which rises from 20,000 to 100,000 dinars; (4) insurance policies are to be issued in Arabic and are subject to prior approval by the supervisory authorities; (5) no new companies are to be licensed, unless by decision of the Council of Ministers, in view of the present overcapacity of the market which is made up of 33 companies; (6) the new law also deals with the registration of agents, brokers, surveyors, actuaries, and so on.

63. In Trinidad and Tobago, the Insurance Act 1980 was proclaimed on 1 November 1982. As with the law referred to in the above paragraph, the new legislation provides for increased regulatory procedures aimed at strengthening the industry and providing increased security to policy holders. The more important provisions concern: (1) increased capitalization. The minimum paid-up share capital was increased from 250,000 Trinidad and Tobago dollars to 3 million for long-term (life) companies and from $TT 120,000 to 1 million for general insurance companies; (2) the efficient and speedy settlement of claims; (3) proper reinsurance arrangements; (4) increased financial disclosure; (5) an increase in the margin of solvency for general insurance companies from 10 to 20 per cent of the premium income of the company or $TT 250,000, whichever is the higher; (6) requirements for the prompt establishment of policy reserves; (7) the power of the Insurance Supervisor to intervene in the affairs of a company if certain important provisions of the Act are violated; (8) requirements in the registration of insurance intermediaries. Regulations have also been adopted in respect of registration, accounts and forms, admissible assets and valuation of assets, registration of agents, brokers, salesmen and adjusters.

32/ See TD/B/C.3/178, para. 80 and, generally, paras. 77-82. See also TD/B/C.3/169, paras. 71 and 72.

64. In Indonesia, a decision of the Minister of Finance (2 February 1983) lays down the basis of State supervision over insurance business and the conditions under which investigations will be carried out on the State, operation, financial position and management of insurance and reinsurance companies, including firms operating under any name whatsoever as long as they are engaged in insurance business.

65. In Cyprus, a Law to consolidate and amend the Insurance Companies Laws 1967 to 1980 has been submitted. Work is in progress on certain amendments to the Insurance Companies Regulations 1969 with a view to meeting the requirements of the new consolidated law.

66. In Zimbabwe, reports indicate that the current legislation is in the process of being amended with a view to giving the Government wider powers in the control of insurance business and to ensuring the integration of this business into the national economy. The amendments are expected to include provisions relating to the conduct of insurance and reinsurance underwriting, brokerage and agency business. Provisions will also relate to the question of insurance funds, which will be maintained separately for each class of business (life and non-life); the assets earmarked for each class will be liable only to policies written in that specific class.

67. In Ecuador, new minimum requirements for the establishment of insurance companies have been laid down. The minimum share capital for life insurance companies increases from 1.5 million to 15 million sucres. For non-life insurance companies, the increase is from 1.5 million to 20 million S. In the case of companies transacting life and non-life, new share capital will be 35 million S as a minimum. The promoters of a company applying for a licence will have to declare that share capital will be supplied from their own resources. In addition, the promoters will have to provide evidence that the new company will make use of technical personnel of recognized competence. This condition will apply to the post of General Manager, for which a good and recognized level of solvency, experience in administration and technical training is required. Technical, financial and administrative managers have also to show a good academic record and sufficient experience. Requirements are set out for executives at a lower functional level as well. The promoters of the companies applying for a licence will, in addition, have to produce a feasibility study showing a projection for at least five years ahead concerning the expected participation in the market, as well as financial statements including profit and loss expectations, and the organizational chart of the new company.

68. In Panama, new minimum capital requirements for domestic insurers intending to start operations in Panama have been introduced, as follows: 400,000 balboas (or US dollars) for motor, liability, bonds and miscellaneous classes of insurance; 800,000 balboas for life, accident, health and industrial life insurance; 1 million balboas for fire and marine insurance. Insurers wishing to operate in two or more of these lines must apply the highest of the minimum requirements. New levels have also been set for deposits with the Banco Nacional de Panamá. Furthermore, new insurers must submit a feasibility study on the insurance superintendency and provide details on the company's officers and staff. 33/

69. The question of the authority under which insurance companies will operate has been subject to decision in China and in Nicaragua. In China by a decision of September 1983, the People's Bank of China exercises supervision over the administration of the People's Insurance Company of China, as well as over all

33/ See World Insurance Report, op. cit., 16 December 1983.

other financial institutions in the country. In Nicaragua, the State-owned Nicaraguan Institute for Insurance and Reinsurance is supervised by the General Controller of the Republic through its Superintendency of Banks and other institutions.

70. By contrast with the developments described above, other countries and territories have reaffirmed their constant confidence in the ability of the industry to self-regulate its activities and maintain normal solvency standards and healthy practices. Bermuda is reported to have expressed, through its Ministry of Finance, its "reluctancy to increase supervision where this would involve more administration and expenses".

71. Paradoxically, it is the industry that would like to see the government more active on market regulations: "Many executives ... believe most business in Bermuda is conducted professionally but they remain concerned that without closer (State) supervision the market's image abroad will continue to suffer". Nevertheless, the Bermuda's Minister of Finance is said to have expressed the opinion that the government's present procedure for monitoring companies through the auditor's certificate of solvency left the best persons to judge financial strength. 34/ In the meantime, the country plans to tighten screening of insurers who wish to enter the market by reintroducing a special committee to consider applications.

B. New specific regulations on solvency and accounts

72. In the Philippines, minimum paid-up capital has been increased from 5 to at least 10 million Philippine pesos for insurance companies and from 10 to at least 15 million pesos for professional reinsurers transacting insurance or reinsurance business in the Philippines. The Government expects a substantial increase in investment as a result. In respect to the presentation of accounts, all non-life insurance companies and reinsurers active in the country have started using a uniform chart of accounts which had been the subject of a two-year project study conducted by representatives of the supervisory authorities, an independent private auditing firm and accountants from local insurance companies. A seminar/workshop was organized by the Insurance Commission early in 1982 during which problems in implementation particularly in the recording of transactions were thrashed out and clarified.

73. In Malaysia, new measures have been introduced with a view to increasing the protection accorded to policy holders and to facilitate the insurance industry to play a bigger role in the national development process. To this effect, the solvency margin of non-life insurers is now fixed at 20 per cent of the net premium income of $M 5 million, whichever is the greater. "Net premium income" is defined as gross premium less all reinsurance premiums for cessions both in Malaysia and abroad. Previously, the solvency margin was 15 per cent of written premium or $M 1 million, whichever was greater, the "written premium income" being defined as gross premium less premiums for reinsurances placed in Malaysia - a measure which provided a clear competitive advantage to the local reinsurers. Minimum capital funds (surplus of assets over liabilities) have also undergone some changes. Previously, insurers were required to maintain a minimum capital fund of $M 1 million for each class of business (life or non-life) and $M 1.5 million for both classes combined.

34/ Ibid., 3 June 1983.

74. The new decisions raise this capital to $M 5 million for one class of business and $M 10 million for both classes. On a more general issue, the powers of investigation into the affairs of insurance companies by the Government have been considered to be inadequate. New provisions have been laid down to the effect that the supervisory authorities are empowered to have access to any books, accounts and other documents on the insurers, whether kept in Malaysia or elsewhere, and that they will no longer need to serve a notice in writing for the purpose of undertaking an investigation. Furthermore, amendments to insurance regulations embodied in the Insurance (Amendment) Act, 1983, provide that any director, chief executive, principal officer or controller of insurance companies shall cease to hold office if he becomes bankrupt, his estate is assigned to the benefit of his creditors or he is convicted of an offence involving dishonesty or fraud.

75. With respect to measures adopted in Thailand on life policy reserves and their deposit with the Insurance Commissioner, see paragraph 81 below. Measures adopted in Jordan and in Panama on new capital requirements are described in paragraphs 62 and 68 above respectively. Minimum share capital has also been raised in Tunisia (to 2 million dinars).

C. New specific regulations on technical reserves and investments

76. New regulations in the Dominican Republic refer to the calculation and investment of free reserves by insurers and reinsurers domiciled in the country. These reserves will mainly be earmarked to meet losses of a catastrophic nature. When invested in the country, they will be taken into account as a basis for the calculation of retention limits.

77. In Colombia, technical reserves earmarked in respect of earthquake insurance (see paras. 49-50 above) will be invested in specific securities, including public external debt bonds issued by the Government, and first quality bonds and securities in hard currencies when internationally classified "A A A". More generally, for reserves in all other categories of insurance, local insurers have been authorized to engage directly in housing projects. These investments will amount to less than 30 per cent of capital and free reserves of the companies. Moreover, insurance companies investing in real estate will insure these investments against fire and earthquake risks with the widest possible cover. In connection with loans and credits given by insurance companies, new regulations establish some strict limitations as to their amount. Loans without a real estate guarantee will be limited to 10 per cent of net worth for any one borrower. Exceptions are allowed in the case of credits for economic development. It is important to note that insurers in Colombia claim that the stability of their market is being endangered by a combination of low returns on government securities (16 per cent of all written premiums is the minimum investment requirement), as the interest rate on these securities "is often lower than the peso devaluation against the United States dollar and consistently well below the local rate of inflation", and of premiums which are overdue and doubtfully collectable. "The obligatory investments and the debt problems are a compounded burden (said a local insurer) producing a lack of liquidity in the market which he characterizes as 'fatal')". 35/ The situation appears to be similar in several other developing countries.

78. In Malaysia, insurers have been required to invest at least 80 per cent of their total funds in authorized Malaysian assets. Life insurance companies will in addition be required to undertake a valuation of their liabilities by a qualified actuary every year (instead of only once in three years).

35/ Ibid., 16 December 1983.

79. In Morocco, the share of technical reserves which are to be invested in government securities or government-guaranteed securities is now 60 per cent.

80. In Nicaragua, according to the Law for the protection of life insurance beneficiaries of 6 November 1982, benefits payable to life insurance beneficiaries may not be seized, withheld or confiscated, whether these benefits stem from policies issued by the Nicaraguan Institute for Insurance and Reinsurance, by foreign companies or by private companies which had been taken over by INISER.

81. In Thailand, all life insurance companies have been required to deposit 25 per cent of their life policy reserves with the Insurance Commissioner. The deposit can be made in various forms of securities and the amount of policy loans may be deducted from the total reserve. On a more general basis, it is reported that several amendments have been proposed to the investment regulations of life and non-life insurance companies and are waiting consideration by the government. These changes are designed to make investment policies more flexible and more responsive to the requirements of insurers. They include mainly the possibility of investing in bonds issued by public enterprises but without a guarantee by the Ministry of Finance; the possibility of investing surplus capital in any undertaking with the prior approval of the Insurance Commissioner only; and the possibility of increasing housing investments and a proposal to empower the Insurance Commissioner to change the rate of interest for insurers' loans.

D. Particular regulations for off-shore and captive insurance companies

82. Encouragement to captives to set up in their countries has continued in several developing markets. The problem lies in attracting these companies while discouraging "carpetbaggers and fly-by-night operators", as the Prime Minister of the Bahamas is reported to have said. 36/ The few developments on the matter that have been reported in the professional press are set out below. 37/

83. In the Bahamas, the External Insurance Act covers both captive insurance and captive management companies. Capital requirements are based on a 5:1 ratio of premiums to equity. Minimum capitalization for a company doing general or property/casualty business is $B 100,000 and for life, accident and annuities business $B 200,000. A company may be required to maintain reserve funds of up to 40 per cent of total net premium income to cover claims. Although no income or premium tax is imposed on existing captives and none is contemplated, the government has committed itself to a no-tax policy as part of the new legislation. Companies formed under the Act will remain exempt from tax for 15 years from the date of registration. The law also introduces secrecy requirements similar to those in effect for banks and trust companies. 38/

36/ Ibid., 14 January 1983.

37/ A document on "captive" companies, which includes the views of the secretariat on the impact and interest of these companies for developing countries, is being submitted to the Committee on Invisibles and Financing related to Trade at its eleventh session (first part). See document TD/B/C.3/192, and paras. 111 et. seq. above.

38/ Information in this paragraph is extracted from World Insurance Report, op. cit., 14 January 1983.

84. Barbados is also a country where the government is said to be sympathetic to the domiciliation of captives and of professionally managed companies writing non-related direct and reinsurance business. Insurance legislation is reportedly being drafted to that effect. A similar outlook prevails in Singapore, where the government is said to attract captives with "large, reputable and financially sound multinationals" as parents. Such subsidiaries would be licensed under the standard Insurance Act 1967, like other insurers. 39/ In Panama too, there is pressure from certain quarters to amend the existing insurance and reinsurance regulations with a view to opening the market to a captive insurance sector. Recommendations to this effect have been drawn up by the Panamanian reinsurance association which believes that Panama already has the necessary conditions to establish captives. However, the experience of some foreign companies, which have operated in outside markets from Panamanian territory and gravely damaged the national reputation, provides support for those who consider that the law should be tightened to keep a close watch on insurers and reinsurers licensed in Panama but doing business exclusively abroad, like the captive insurers. 40/ But the difficulties of exercising such supervision are all too obvious. "Although Panama' insurance superintendent has the power to liquidate companies which do not comply with the country's insurance laws, the insurance authorities do not have details of off-shore operations", one Panama executive noted recently. A local lawyer said that "if insurers and reinsurers claim to be registered in Panama but do business only outside the country, it is up to those other countries to ensure the companies are properly licensed" 41/ - this requirement has apparently not been met in a number of instances.

85. A clear and satisfactory answer to the problem of supervision of captives does not seem to have been found yet, but it is apparent that closer co-operation between the country of domicile and the country where operations are carried out provides good results. A case in point is the decision of the superintendency to Panama to instruct a captive to cease accepting business after a delegation from the industry in El Salvador reported to the Panama superintendency that the company in question was apparently dealing with bankrupt reinsurers and cutting rates levied by the domestic market.

39/ Ibid., 15 July 1983.

40/ "There are problems here with direct insurers, who overwrite, for example, or who run crooked operations. This reduces public confidence in the industry, and is certain to provoke some reaction from the government", said one insurance executive. The President of the Panama Reinsurance Association also contends that "problems such as those brought to light in Alexander Howden Group affiliates Southern International Re., Southern Hemisphere Insurance Agencies and Southern International Real Estate arose because these companies were never registered as reinsurers, not because the law was not strong enough". (Extracted from World Insurance Report, 8 April 1983).

41/ Ibid., 8 April 1983.

E. Legislative and administrative measures on contracts, intermediaries, taxation

86. New regulations on insurance contracts have been laid down in China, as part of the implementation of the Law of the People's Republic of China on Economic Contracts. They contain rules on formation, conclusion, rectification and assignment of insurance contracts as well as the obligations of the insured and the insurer. Contractual relationships between the two parties have also been the subject of some regulations in Chile, at least in respect to guidelines on advertising.

87. In Colombia, the problem of outstanding payments of premiums referred to in paragraph 77 above was the subject of a decision of the supervisory authority in December 1983, by which insurance companies may provide a loan to policy holders for the payment of their premiums. The loan is limited to 75 per cent of the premium to be paid by individual policy holders and will be guaranteed by a corresponding bill or deed. Payment will be effected monthly, bi-monthly or quarterly, together with the corresponding interest. Loans for the payment of premiums may not exceed 25 per cent of the total amount of premiums written. Companies will write off as bad debt all those loans which have not been repaid after 90 days from the date of maturity.

88. Nigeria is also a country where the problem of premium collection has been the subject of some regulations. It has been mainly stipulated in this respect that insurance brokers will pay the insurer the premium received from the policy holder within 60 days of the commencement of cover. Premiums collected through licensed insurance agents must be paid over to the insurer within 30 days of the commencement of cover. In all other cases, premiums must be paid to the insurer immediately upon commencement of cover. These new rules do not apply to insurance in respect of government institutions, government-owned companies and para-statal companies, for which normal contractual conditions for cancellation and avoidance of the contract for non-payment of premiums will prevail.

89. Protection of the consumer has been considered in new rules on matters such as the "cooling off" period. Malaysia has introduced a new section in its Insurance (Amendment) Act 1983 (see paragraph 74 above) to the effect that life insurance policy holders are given a period of 14 days to review the terms and conditions of their policies and to return the policies to the insurers concerned if they object to any of the terms and conditions. The policy holders are entitled to full refund of premiums which they have paid. The purpose is obviously to protect the policy holder against the effects of excessive sales pressure, a practice which, in some countries, impairs the image of life insurance operations and insurance in general.

90. In the case of a rural life insurance scheme recently introduced in Pakistan, an extension of the days of grace for the payment of premium has been provided for. The measure seems to be intended to make life insurance accessible to a large number of people whose income is cashed irregularly owing to the vagaries of agricultural production and the marketing of crops.

91. In the Philippines, the fight against irresponsible competition has taken the form of a serious drive against breaches of tariffs. The Insurance Commission has held formal hearings on the matter; several companies which have been found guilty of violating tariffs have been penalized or fined under the pertinent provisions of the Insurance Code.

92. The question of control over intermediaries (brokers, agents, etc.) has been the subject of some regulations. In some countries, measures in this direction have been taken for the first time. This is the case of Argentina, where it is said that "a serious effort is being made to control brokers, through specific regulations that include registration procedures and examinations". 42/

93. Similar measures have been taken in the United Arab Emirates. In Bolivia, new norms for the registration of intermediaries were approved by the Insurance and Reinsurance Superintendency in September 1983. Among other conditions, agents are subject to a professional examination by the Superintendency. Also in 1983, Colombia laid down the conditions under which agents are to operate, including conditions as to share capitals of intermediaries, admitted investments, accounting systems, opening of new offices, geographical distribution and personal qualifications of directors. A resolution adopted in February 1982 in Ecuador contains similar provisions.

94. In the Philippines, a memorandum issued by the Insurance Commission in October 198 drew attention to the fact that cross-ownership between brokers and insurance companies was prohibited. Thus, no broker or its stock holders and officers may have any equity or interest whatsoever in any insurance or reinsurance company or insurance adjustment companies. Insurance companies are required to divest themselves of their shareholdings in insurance and reinsurance brokerage firms and vice versa.

95. Control of intermediaries and the monitoring of their activities are questions which have been considered at a regional level, especially as regards the activities of off-shore brokers and non-registered intermediaries. At the ninth meeting of the ASEAN Insurance Committee, the delegation of Indonesia expressed concern over the activities of these brokers in the country and requested the adoption of co-operative measures to prevent them from acting against government policies on premium retention and investments. The meeting agreed that an exchange of information among ASEAN countries on such brokers would be helpful (see para. 132 below).

96. Taxation on insurance contracts and premiums has also been the subject of some measures in developing countries. In general, these measures have been aimed at giving incentives to insurance rather than providing financial resources to the governments. A case in point is Malaysia, where the Government has promoted greater localization of cargo insurance on imports through double deduction of premiums when the cover is issued by a Malaysian incorporated insurance company. Encouragement to life insurance, in Morocco, is given by allowing policy holders to subtract from their total taxable income the amount of premiums they have paid with respect to individual life insurance for contracts of 10 years or more. Similarly, in Trinidad and Tobago, the same facility is given to policies issued by domestic and other Caribbean insurance concerns, but not to policies issued by foreign concerns. This taxation policy is said to have played a major role in deterring foreign insurance companies from writing new business. In the case of locally incorporated companies, 40 per cent of the premiums paid are deductible from the tax liaibility of policy holders.

42/ Ibid., 25 March 1983.

97. In a few cases, taxation measures do not actually provide incentives to national contracts as against insurance taken out abroad but help to provide fairer competitive conditions for the former. In Togo, for instance, taxes on insurance premiums are levied as from December 1983 on all insurances contracted abroad when these polices concern persons resident in Togo, risks situated in the national territory and assets situated or registered there.

98. The problem of the currency denomination of insurance contracts has been dealt with in Bolivia, where the Insurance Superintendency now authorizes the writing of policies in foreign currencies for certain categories of business. Technical reserves will be set up in the currency of the premium and claims will be paid accordingly. To that effect, insurance companies will open special accounts with the Banco Central de Bolivia. Payments on account of reinsurance ceded abroad will be made against these accounts.

F. New regulations on compulsory insurance

99. Third party liability insurance for the users of automobiles has been made obligatory in some of the provinces and cities of China. In 1983 the Economic Committee and the Ministry of Communications of this country stipulated that all private motor vehicles carrying freight and passengers should be covered by third party liability insurance and also by cargo transportation insurance. A project is being considered in Ethiopia to the same effect. In Oman, car owners are required as of January 1983 to carry third party liability insurance covering both bodily injury and property damage. This directive has been incorporated in the traffic law, and a study is said to be in course of preparation in which the conditions governing this directive will be set out, taking into consideration the legal responsibilities of all parties concerned.

100. India has introduced an automatic compensation system of Rs. 15,000, for persons killed in road accidents and of Rs. 7,500 in case of permanent disability, the system of proof of negligence being maintained for other damages. 43/

101. The obligation to take out insurance has been extended, in some countries, to risks other than automobile. In the People's Republic of the Congo, a new law laid down in March 1983 makes an obligation to take Construction All Risks Insurance; for buildings and works the obligation extends to the Ten Years Civil Liability. In Tunisia, fire risks are a compulsory part of all industrial policies.

102. In Costa Rica, workmen's compensation insurance has been made compulsory by a law laid down in March 1982. The law stipulates that all labour accidents will be protected by a policy taken by the employer, be it a public or a private entity, with the National Insurance Institute ("Instituto Nacional de Seguros"). Before that date, in some economic sectors, the employer was given the option to assume the cost of the indemnities stemming from a professional sickness or accident.

103. In Nicaragua, travel agencies and operators must be covered by an insurance policy against accidents, including death, disability and medical treatment, in accordance with regulations applying to them, as from August 1982. Regulations on land transport include provisions on obtaining a licence including the obligation to enter into a collective insurance issued by the Nicaraguan Institute for Insurance and Reinsurance.

43/ See "Moves to reform the legal systems governing motor accident victims' compensation in developing countries" (TD/B/C.3/191).

surpluses and setting up supranational organizations to perform clearing functions in respect to the settlement of reinsurance balances and the minimization of related problems. The Latin American Integration Association (ALADI) is one of the economic organizations in developing countries that are already working on the problem. 47/

112. Opinions expressed in many other quarters also suggest that reinsurance companies in developing countries have gone through difficult times in general during the period under review and there is no reason to suppose that the situation will improve in the years to come. Rather, a number of indications point to new tasks and commitments as well as stronger competition from outside. These new tasks have been clearly defined by an executive of a leading reinsurance organization in the Federal Republic of Germany in the following terms:

> "Reinsurers are not only bearers of risks, but also provide additional services such as training, assistance in starting up new classes, EDP (electronic data processing) programmes, accumulation control, engineering consultancy, financing, aid in establishing premiums and in settling product liability or engineering claims, know-how transfer for foreign markets and many other items". 48/

This suggests that competition from developed markets will not only concentrate on price differentials but also on ancillary services and technical assistance to the ceding companies. Reinsurance companies in developing countries which will not provide similar services are likely to see their potential market turn to more aggressive suppliers, while these suppliers will not fail to use the financial and technical resources available to them as an incentive to open new markets in developing countries and resort to the "cash flow" underwriting which, as suggested above, is usually out of the reach of companies in developing areas.

113. The above opinions are not new for some reinsurers in the developing world which are giving increasing emphasis to the quality of services rendered to ceding companies. Mr. Loay Al-Naqib, of the Arab Insurance Group, expressed the view, at the same Congress, that "risk management techniques could be useful in aiding the industry to deal with large unfamiliar risks, which have presented problems to local insurers where rating and cover development are concerned. It is no more a question of the cheapest cover but rather which is the optimum one. After all, this is one of the fundamentals of our industry which has been lost in the disorder created through cash-flow underwriting practices now common in many markets, ours included". 49/

114. The particular situation of reinsurance in the developed markets has led to a decision in the United Kingdom to introduce regulations that require reinsurers to provide more information about their general business treaty reinsurance and their sources of business. The information seems to be of interest to the many developing countries whose market and administrative supervisory system has taken

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47/ "El reaseguro hoy, y mañana?", address given by the General Manager of the Banco de Seguros del Estado, Mr. Antonio H. Picón, at the Second Arab-Latim American Insurance Congress, held at Montevideo, Uruguay, in March 1983. (Published by Banco de Seguros del Estado, Montevideo, Uruguay, March 1983).

48/ G. Marx, Bayerische Rückversicherungs-Gesellschaft, in Reactions, London, November 1983.

49/ World Insurance Report, op.cit., 25 March 1983.

B. New reinsurance enterprises in developing countries

117. In Chile, Reaseguradora Bernardo O'Higgins has been incorporated with a share capital of $US 4 million. The majority shareholder is the Consorcio Nacional de Seguros, Santiago de Chile. Twenty per cent of the capital has been subscribed by American Reinsurance Company, New York, which has provided staff, educational facilities and protection cover. This development follows directly upon the drastic changes in the reinsurance market introduced by the Government, as reported in the last issue of this review. 54/

118. In Zimbabwe, the Zimbabwe Reinsurance Corporation has been established as a wholly government-owned institution, which was scheduled to start operating as of 1 May 1984. Technical assistance was provided through an UNCTAD/UNDP project. All direct insurers in the country will be required to cede to the new corporation 20 per cent of all insurance policies other than life insurance, issued by them in the country.

119. In the Central African Republic, the project for a national "Caisse de Réassurance" is being considered. Its establishment, however, is said to be postponed until domestic direct writing companies have been formed.

120. Press reports indicate that rumours which had been spread in previous periods that, in Argentina, INDER (the government-controlled reinsurance institution) will be dismantled and reinsurance business turned to private enterprises "will not be considered in the short term as INDER's activities were considered of strategic value to the State". 55/ (See also para. 33 above on the rationale of this decision).

C. Regulatory measures on reinsurance and on retention levels

121. In Colombia, facultative reinsurance cessions to foreign reinsurers and local retentions were regulated in 1983. First, minimum rates have been set for reinsurance commissions to be debited to foreign reinsurers, e.g. 35 per cent in fire business, 30 per cent in cargo business, 15 per cent in marine and aviation hull. Second, prior authorization should be obtained by local companies before ceding reinsurance facultatively; the authorization will be subject to the condition that local capacity is not available for the particular risk to be covered abroad. Press reports indicate that, in practice, the local market must have received not less than 40 per cent of the risk concerned, that percentage representing a share of the "combined acceptance capacity". This capacity is determined by the Insurance Superintendency, which takes into account (a) the percentage share of paid capital/surplus and valuation of reserves held by the local company as part of the local market as a whole, and (b) the percentage ratio of the local company's accepted reinsurance premiums to total market accepted reinsurance premiums. In the event that local companies are unwilling to subscribe a certain risk, a certificate will be submitted to the Superintendent indicating that the risk has been offered to not less than 60 per cent of local companies before cession abroad is permitted. The Superintendent will sanction such cessions in exceptional cases only. 56/

54/ See TD/B/C.3/178, para. 132. See also para. 149 below for information on the operations of CICARE.

55/ See World Insurance Report, op.cit., 7 May 1982.

56/ Ibid., 4 November 1983

"(i) All national insurance companies and foreign resident insurance companies have to reinsure 30 per cent of their general insurance business with Pakistan Insurance Corporation on a quota share basis. This business is pooled by PIC, protected by excess loss cover and substantially retroceded back to the companies.

(ii) After ceding 30 per cent the insurer is also required to offer to reinsure with Pakistan Insurance Corporation not less than 25 per cent of the surplus remaining after its own retention and reinsurance placed in local market.

(iii) The insurance companies are free to make their own reinsurance arrangements for the remaining surplus after satisfying requirements under (i) and (ii) above.

(iv) National Insurance Corporation has to reinsure with PIC all risks which it cannot retain to its net account.

(v) PIC also accepts reinsurance from abroad in almost all classes of general insurance business under reciprocal and non-reciprocal arrangements.

(vi) The retrocession arrangements of PIC are aimed at strengthening the retention capacity of the local market to conserve foreign exchange outgo on reinsurance costs. A substantial portion of the business accepted by PIC from the local companies under compulsory cession is retroceded to the companies by pooling arrangement under excess loss protection. As the business available to PIC represents a cross section of the entire business of the country and is more balanced and widely spread, it is possible for PIC to make greater use of the more economical reinsurance arrangements and absorb the business to a large extent, leading to greater saving in terms of foreign exchange of the country. Highly exposed risks of aviation, marine hull and engineering business are retroceded abroad while others are by and large absorbed by the local capacity. The premium retained by PIC on its net account after retroceding to the local companies and abroad is progressively increasing from year to year with the growth of its financial stability."

131. The tenth session of the Conference discussed the general theme of "insurance of large industrial risks in Africa", and revolved around the problems of African business written by international insurance markets, and the problems of insurance of large petroleum risks, civil engineering sites, and aviation, etc. The Conference adopted several recommendations. One of them encouraged co-operation among the different insurance educational institutions and training programmes in Africa. Another endorsed an initiative of the Executive Committee to set up an African aviation pool "to minimize the outflow of substantial aviation premiums out of the (African) continent and ... to provide African airlines with coverages and premiums more favourable than those they are getting at present". Suggestions were also made for the setting up of an "African oil and energy insurance group" to "provide technical development and absorptive capacity for the insurance of oil and gas risk sector with the necessary international spread and protection of this high risk sector in order both to maximize our foreign exchange earnings and to constantly seek to increase our capacity."

132. The Association of ASEAN Insurance Commissioners 60/ has continued its activities, with an emphasis on the preparation of regional mortality tables, harmonization of insurance laws and unified insurance statistics. Exchange of ideas and information has taken place on various topics such as insurance education, experiences in the compulsory motor vehicle liability insurance, the problems associated with insurance and reinsurance brokers, procedures in licensing and examination, modalities of premium payments, solvency requirements for insurance companies and other current developments and problems. A comparative study of ASEAN insurance laws and a comparative study of these laws with those enforced in selected developed market-economy countries, prepared by the Insurance Commission of the Philippines, have been referred to the ASEAN Insurance Council (a body representing the ASEAN insurance industries) for consideration to pinpoint areas of possible harmonization. The final objective is to look into the legal barriers on the exchange of business among ASEAN insurance companies and submit a comprehensive report to the ASEAN Insurance Council in their next meeting in 1984.

133. The fourteenth General Meeting of the "Conférence internationale des Contrôles d'Assurance des Etats africains" (CICA) took place in Ouagadougou (Burkina Faso) in June 1983. Automobile and life insurance were discussed. With regard to the former category of business, the Meeting proposed that the indemnity systems for the victims of road accidents be modified in member States (12 francophone African countries). On life insurance, measures aimed at its promotion were suggested. These measures will involve the participation of the "Fédération des Sociétés d'Assurances de Droit national africaines" (FANAF) and of the "Institut international des Assurances" in Yaoundé, Cameroon.

134. In other developing areas, co-operation between intergovernmental institutions and professional bodies has had successful results. To give an example, the Latin American Integration Association (ALADI) signed a co-operation agreement with the Latin American Reinsurers Association (ARELA), at Montevideo. An exchange of information and statistics, with a view to facilitating reinsurance business among member countries, are the main objectives.

60/ See TD/B/C.3/178, paras. 150 and 151.

(b) Reinsurance in developing countries: (i) Companies operating in the markets of the Arab and Latin American region should promote the development of commercial relationships through exchange of information and technical training of their staff, especially in loss prevention techniques; (ii) Growing co-operation should be promoted between the Association of Latin American Reinsurers (ARELA) and the General Arab Insurance Federation (GAIF).

(c) Oil and petrochemical risks: (i) Compilation, by the Organizing Committee of the Arab-Latin American Congress, of details of the insurance modalities of oil and petrochemical risks, and distribution of the information among the members; (ii) Establishment of an Arab-Latin American Risks Pool for the possible exchange of direct business in a centralized way.

138. The eighth general meeting of the Federation of Afro-Asian Insurers and Reinsurers was held at Tangiers (Morocco) from 7 to 12 May 1983. 63/ The theme of the Conference was "the need for developing an Afro-Asian common reinsurance market". During this session decisions were made on: (a) a continued link between FAIR and the FAIR non-life reinsurance pool; (b) amendments to the pool statute; (c) the need for pool managers to refrain from accepting business from non Afro-Asian countries; (d) the holding of a seminar on "Agricultural insurance" in Lusaka, Zambia, in the latter part of 1983; (e) the theme of the next general meeting, to be held at Beijing, China, namely, "insurance of target risks in Afro-Asian countries".

139. The "Federacion Interamericana de Empresas de Seguros" (FIDES) held its nineteenth Conference at San Francisco (November - December 1983). The general theme was "The managing of private insurance in the 1980s", with a great deal of attention devoted to the financial management of the insurance industry and creation of retention capacity in it. The opinion prevailed that lack of expertise and under-capitalization of many insurance companies were responsible for a number of the problems facing the insurance sector in Latin America. Participants underlined the interest of more intensive co-operation among the member countries (which include a major segment of the United States market). Efforts in this direction would ensure a better spread of risks and should extend to insurance training and the transmission of know-how.

140. Co-operation in the field of insurance education on a regional as well as on a bilateral scale has made some progress. In Central America, the "Instituto de Estudios e Investigación del Seguro de Centroamérica, Panamá y el Caribe" has continued its activities. National insurance institutions in Cuba, Nicaragua and Costa Rica have developed a series of projects on professional training and exchange of information. The West African Insurance Institute has diversified its original one-year course of training to run, in addition, short courses of three to six months' duration. UNCTAD/UNDP has contributed to the project. India and the Philippines assist Nigeria with the training of some of the staff in the office of the supervisory authority. The ASEAN Insurance Council, a body representing the ASEAN insurance industry, is considering a proposal to establish an ASEAN insurance college. For the time being, most of the member countries continue to make use of the Insurance Institute for Asia and the Pacific, in Manila, to upgrade professional levels in the respective insurance industries. This Institute provided three months' intensive training to 22 participants from 17 Asian countries in 1982 and to 22 participants from 20 Asian countries in 1983. UNCTAD/UNDP, in co-operation with ESCAP, provided assistance for this project.

63/ See TD/B/C.3/178, paras. 155-157.

146. Another area of significant co-operation that has been projected in West Africa is that of currency transfers among countries of the subregion. Co-operation between insurance institutions and commercial and central banking associations would result in facilitating currency transfers, thereby boosting trade in general and insurance and reinsurance activities in particular.

147. Some countries of South America (Southern Cone) are considering the possibility of establishing a common civil liability policy covering contractual and extra-contractual risks in respect of international road transportation of goods.

148. Co-operation among five Portuguese-speaking African countries has taken the form of a Ministerial Committee under which a Sub-Committee on Finances has been working on banking and insurance.

B. Exchange of business among developing countries and other forms of operational co-operation

149. The administrative organization of "Compagnie Commune de Réassurance des Etats membres de la CICA" (CICA RE) was completed during the period under review and it was meant to become operational immediately thereafter. In addition to the information provided in the previous issue of this review (TD/B/C.3/178, paras. 165 and 166), it may be noted that CICA RE consists of 12 Governments members of the International Conference of African States on Insurance Supervision (CICA), 68/ with an authorized capital of 600 million CFA francs, of which 75 per cent is paid up. Insurance companies operating in member countries will reinsure with CICA RE 15 per cent of all existing reinsurance treaties. Foreign agencies will reinsure 5 per cent of all direct written premiums except motor insurance. CICA RE will retain the largest part of the reinsured business and will cede back the surplus to a pool of its own reinsured companies.

150. Other countries of Africa have been engaged in organizing a similar project, the "WAICA REinsurance Corporation". WAICA stands for West African Insurance Consultative Association, with a secretariat in Accra, Ghana. It is an association of insurance companies in West Africa whose primary objective is promoting co-operation in every respect among all the insurers and reinsurers operating in the region. WAICA RE has already been incorporated in Freetown, Sierra Leone, but it has not yet begun to operate at the time of writing. Instead, the companies concerned are operating a WAICA Reinsurance pool, which is currently managed by the Nigeria Reinsurance Corporation. WAICA members reinsure 5 per cent of their reinsurance treaties with the pool. Reports indicate that the pool has been quite successful and has made reasonable progress after being in existence for about two years. It is expected that when the WAICA Reinsurance Corporation finally enters into operation, it will take over the business currently transacted by the pool.

151. The operation of insurance and reinsurance pools among developing countries is the subject of much contradictory analysis. Some contend that the pool mentioned in the preceding paragraph, as well as the Third World Reinsurance pool, also managed by the Nigeria Reinsurance Corporation, offer an excellent medium for the exchange of business on a regional and subregional basis and that the pool concept is a useful method of promoting regional co-operation especially in the exchange of reinsurance business. The ASEAN Reinsurance Pool is also commented on as "A pioneering measure adopted to promote reinsurance co-operation among the

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68/ "Conférence internationale des Contrôles d'Assurance des Etats africains", see TD/B/C.3/178, para. 153.

Annex

RECOMMENDATIONS ADOPTED BY THE FIRST MEETING OF THE INTERNATIONAL WORKING GROUP ON NATURAL DISASTER INSURANCE

Geneva, 15 - 18 February 1983

Organized by: Office of the United Nations Disaster Relief Co-ordinator (UNDRO)
United Nations Educational, Scientific and Cultural Organization (UNESCO)
International Association for the Study of Insurance Economics ("The Geneva Association")

1. To encourage public authorities to evaluate the casualty and loss potential of natural disasters in relation to the level of insurability so that appropriate action can be taken prior to disaster.

2. To summarize and develop existing research on taxation laws relating to the long-term problems of insuring and reinsuring catastrophes.

3. Where possible, to encourage the insurance industry to make greater efforts to become involved at the planning stage of site location and building design of all types in relevant areas in order to make a greater contribution to the control of vulnerability.

4. To develop procedures for the assessment of the geographical distribution of liabilities, at least in the most exposed areas.

5. To conduct cross-country comparisons of different private and national insurance and reinsurance strategies for dealing with loss prevention and recovery from natural disasters.

6. To consider whether the risk analysis and strategies so far developed, and the experience and knowledge so far gained, in dealing with natural disaster prevention and insurance in industrialized societies are valid for, and transferable to, conditions in disaster-prone developing countries.

7. To organize documentation services which will systematically collect data, research results and studies by the various disciplines and professions represented at this meeting and which will also provide information concerning the various centres dealing with similar subjects elsewhere in the world. In addition, to strengthen the data base on vulnerability to specific hazards for various regions, especially in developing countries.

8. To stimulate and co-ordinate research on pilot studies dealing with risk analysis and strategies in various parts of the world, making use of the data and information referred to in the previous recommendations.

9. To reconvene the Working Group at an appropriate time (possibly in 1985) to review the developments in the field of natural disaster.