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[INSURANCE]

REVIEW OF PROGRESS MADE ON THE WORK PROGRAMME

Review of activities of the secretariat pertaining to the work programme

Report by the UNCTAD secretariat

CONTENTS

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INTRODUCTION

(i) UNCTAD VIII, held at Cartagena in February 1992, decided to re-direct the work of UNCTAD, as reflected in the Cartagena Commitment (TD/364). The existing main Committees of the Trade and Development Board were suspended and the work on insurance was incorporated in that of the newly created Standing Committee on Developing Services Sectors.

(ii) In implementing the decisions of UNCTAD VIII, the Trade and Development Board, at the second part of its thirty-eighth session, adopted the terms of reference of the Standing Committee (Board decision 398 (XXXVIII)). Paragraph 4 of these terms of reference applies to insurance, asking the Committee "to analyse prospects for developing and strengthening the insurance sector and enhancing the trade of developing countries in this sector". Paragraph 8 of the terms of reference states that the Standing Committee will hold separate sessions concerning services in general, shipping and insurance respectively.

(iii) The work programme of the Standing Committee in the field of insurance, established at its first session on Insurance, held in Geneva from 1 to 5 February 1993, promotes the following general policy guidelines:

- pursuing a new partnership for development as embodied in the Cartagena Commitment;

- promoting transparency;

- fostering competitive insurance services; and

- strengthening technical cooperation and human resource development.

(iv) The secretariat prepared and submitted three studies to the first session on Insurance, namely: "Agricultural insurance in developing countries" (UNCTAD/SDD/INS/1), "Insurance in Developing Countries: An assessment and review of developments (1989-1992)" (UNCTAD/SDD/INS/2) and "Insurance in developing countries: Privatization of insurance enterprises and liberalization of insurance markets" (UNCTAD/SDD/INS/3). As the consideration and adoption of the work programme was the sole agenda item, the studies could not be deliberated upon by the Standing Committee. The secretariat was then requested to update them for submission and discussion at the second session on Insurance. Given the wide range of activities proposed in the provisional agenda approved for the Standing Committee at its second session and the obligation to adhere strictly to the instructions of the General Assembly on the limitation and control of documentation, this progress report intends to review briefly the activities undertaken by the secretariat since February 1993 as mandated by the work programme of the Standing Committee as well as activities that are not dealt with under a specific agenda item. It indicates future activities under the adopted work programme and recommends actions to be taken by the Standing Committee.

(v) The work programme of the Standing Committee lists three main areas on which work should focus during the four-year life-span of the Standing Committee, namely promoting transparency, fostering competitive insurance services, and strengthening technical cooperation and human resources development. The work undertaken in each of the three areas will be briefly outlined on the following pages. In executing the work programme the secretariat has followed the directives given by the provisional agenda established for the second session of the Committee.

Chapter I

PROMOTING TRANSPARENCY

1. Under item "A. Promoting transparency" of the work programme, the Standing Committee was requested to prepare:

(a) a statistical survey on insurance and reinsurance operations;

(b) a review of developments in insurance and reinsurance.

(i) Statistical survey on insurance and reinsurance operations

2. Addressing this request, the secretariat has prepared a document entitled "Statistical survey on insurance and reinsurance operations in developing countries 1983-1990" (UNCTAD/SDD/INS/5). It is intended to help developing countries to better evaluate the relative performance of their domestic markets and their relative dependence on outside markets, and to encourage closer cooperation and exchange of business among developing countries. The survey is based on data compiled from the responses of 101 developing countries that replied to a questionnaire sent annually to 131 developing countries. The survey presents a synthesis of the statistical information provided to the secretariat. Section I of the document describes the structure of the insurance markets in the developing countries surveyed, and shows that the average share of life and long-term insurance in the total insurance business of developing countries is still significantly smaller than in developed countries.

3. Section II of the survey analyses the economic significance of insurance markets in developing countries. The average percentage of total insurance premiums as a proportion of gross domestic product (GDP) for the developing countries surveyed is only 1.64 per cent compared with 7.77 per cent for OECD countries. There are also differences between the different regions and even within regions of the developing countries surveyed. The proportions of premiums to GDP are 1.4 per cent in Africa and 1.8 per cent in Asia respectively, while a slightly higher figure of 2.4 per cent is found in the Latin American and Caribbean region.

4. Section III of the survey presents loss, expense and retention ratios in the non-life insurance market. Cost structures differ widely among countries surveyed. The average expense ratio for the total non-life business for the countries surveyed amounts to 24.5 per cent. It should be noted that 16 countries had expense ratios greater than 35 per cent which can be considered as very high. However, 21 countries showed relatively low expense ratios below 15 per cent, while 28 countries had figures in the 20 to 30 per cent bracket, which can be considered as a reasonable level. The underwriting performance of the different insurance markets varies widely; 9 countries had loss ratios for their total non-life business exceeding 100 per cent and 23 countries had loss ratios between 75 and 100 per cent, which can be taken as a break-even point. It is interesting to note that 45 countries had loss ratios for their total non-life business lower than 50 per cent, a level at which underwriting profits should be substantial.

5. The survey has a large appendix containing the statistical information provided to the secretariat, by country and by year.

(ii) Review of developments in insurance and reinsurance

6. For the second item under the heading of promoting transparency, the secretariat has prepared a background report entitled "Insurance in developing countries: An assessment and review of developments (1989-1993)" (UNCTAD/SDD/INS/2/Rev.1). The report includes developments from the latter part of 1988 up to the end of 1993. Based on data supplied to the UNCTAD secretariat by Governments of developing countries in response to a request made by the Secretary-General of UNCTAD, on information derived from papers presented at international insurance conferences and meetings and on information taken from trade journals and periodicals, the report provides an assessment of the insurance markets of developing countries, with particular reference to the problems faced by them, and a general study of developments that have taken place during the period under review. Chapter I of the report deals with the functioning of insurance markets and their structural development. Chapter II deals with insurance regulations and supervision. Chapters III, IV, V, VI and VII of the report review the specific insurance lines of life, motor, fire, marine and transport, and export credit, political risks and other insurances respectively. Chapter VIII of the report discusses offshore and captive insurance markets. Chapter IX of the report examines the important issue of insurance for natural catastrophes. Chapter X of the report considers reinsurance in regard to developing countries, while chapter XI of the report deals with international cooperation in insurance matters.

Chapter II

FOSTERING COMPETITIVE INSURANCE SERVICES

7. Under item "B. Fostering competitive insurance services", the work programme lists a number of particular concerns on which research is requested. The documentation prepared by the secretariat is briefly outlined below.

(i) Review of critical areas of concern with regard to insurance legislation, regulation and supervision (item B.1.(a) of the work programme)

8. To deal with this item, the secretariat has prepared a background note entitled "Issues of insurance regulation and supervision relevant for developing countries" (UNCTAD/SDD/INS/6). The intention of the note is to draw attention to the importance of effective regulation and supervision of the insurance sector.

9. With the privatization and liberalization policies that are pursued in many developing countries, this issue is gaining key importance. Without clear and unambiguous rules and an effective supervision of their application, there is a risk that the benefits expected from privatization and liberalization will not materialize. Market failures and the appearance of insurance suppliers with poor security should be averted through effective regulation and supervision. Care should be taken that appropriate rules and the institutions to secure their application accompany privatization and/or liberalization programmes.

10. Countries with competitive insurance markets may also want to overhaul and improve their regulatory and supervisory systems to increase market efficiency. Insurance regulation and supervision are dynamic elements of economic policy that have to be adapted constantly to changing requirements, perceptions and economic needs. Insurance legislation and control are in fact currently under discussion and review in many countries that feature a variety of insurance structures. This is the case even in countries with relatively advanced systems of supervision, as for example in the United States of America and the European Union. Developments in these countries can present interesting insights for developing countries planning to improve their own regulatory system.

11. The note first reviews the reasons for insurance regulation and supervision and explains why many developing countries would benefit from transforming and/or strengthening their regulatory and supervisory regimes. It then highlights crucial areas for the control and supervision of insurance and discusses the general principles and guidelines which have shaped policies in this field. It finally depicts how and which duties a supervisory authority should perform.

12. The note should provide the basis for a comprehensive review to be prepared for the next session on Insurance of the Standing Committee. The latter should deal with those issues of insurance regulation and supervision that are of critical importance in the context of the further evolution and/or structural transformation of developing countries' insurance markets.

13. On the basis of a questionnaire and current topics of discussion in the literature and trade journals, these areas would be singled out and their problems analysed. The relevant government authorities and the insurance industry would be asked to contribute their assessments and comments, provide a record of experiences and make available technical details. Examples of government initiatives, recommendations and motions emanating from the industry and its professional associations and of the pertinent legislation enacted would be presented and commented upon. The aim of the work would be to increase transparency in the complex field of insurance regulation and supervision and lay the ground for consensus building on the role, duties and powers of insurance regulatory and supervisory frameworks and institutions. This should ultimately contribute to increasing cooperation among developing countries in these fields and promote a greater coordination and harmonization of insurance legislation and supervision, which would be beneficial for international trade in insurance.

(ii) Privatization and liberalization in insurance (item B.1.(b) of the work programme)

14. In respect of this issue, the session has before it the updated background report entitled "Insurance in developing countries: Privatization of insurance enterprises and liberalization of insurance markets" (UNCTAD/SDD/INS/3/Rev.1).

15. In its first part on privatization, the report points out that in the insurance sector privatization is not necessarily a response to lack of enterprise profitability, but rather a reflection of dissatisfaction with enterprise efficiency. Problems posed by insurance privatization include the lack of domestic private funds to buy existing public insurers and the absence of efficient stock markets. Recourse to foreign capital is sometimes rejected when the insurance sector is deemed of strategic importance to the country. If foreign capital is admitted into the insurance industry, many developing countries ensure that it does not gain majority influence. Other problems arise from the complex relationship between market structure and forms of ownership and their effects on managerial efficiency.

16. The privatization of large public insurance monopolies poses particularly difficult problems. This is the case specifically as regards public reinsurers which depend heavily on compulsory cessions. They may not be viable without such cessions, while continuation of this privilege would be not in conformity with a market system, as it would grant undue advantages to one group of investors over another. The report concludes that, if privatization is judged too difficult or, perhaps, not desirable, "commercialization" might provide an answer; it could also prepare companies for a later privatization.

17. The section on liberalization examines the prospects for developing countries from the opening of insurance markets of developed countries and that of their own insurance markets for foreign suppliers. As regards the opening of developed country insurance markets it analyses the prospects of developing country suppliers in both cross-border and establishment trade. Given that their resources endowment and the factor input needs of insurance do not give them a *prima facie* competitive advantage, it concludes that, as

regards cross-border trade, they can expect little or no benefit from a market opening by developed countries. As regards establishment trade, the financial means required to open and operate an overseas insurance subsidiary or branch may be prohibitive. Capital and/or solvency requirements demanded in developed countries are usually considered high from the point of view of developing country insurers. Furthermore, there is little reason to expect that developing countries' companies can overcome the formidable competition from well-established and well-capitalized insurers operating on their home territory.

18. Therefore market access concessions by the developed countries do not seem at this stage to offer great potential for the insurance industry of the majority of developing countries. The report then examines the opening of developing countries' insurance markets to foreign suppliers. It points out that the former are not alone in having restricted cross-border trade. Their interest in opening their own insurance markets in return for reciprocal benefits is limited, since they would have difficulty in exploiting these benefits. At the same time their apprehensions regarding the ability of local companies to compete effectively against foreign insurers established on their home markets cannot easily be put aside. In smaller insurance markets there is a high probability that strong foreign insurers may acquire a dominant market position. Moreover, there are tasks of a social and welfare nature which foreign insurers would not necessarily undertake. Insurance consumers in developing countries that open their markets may, however, derive immediate benefits through an enhanced range of insurance products and possible price advantages, at least initially, which reflect the attempts of new insurers to gain market share.

19. The report recommends that, in each developing country, the insurance sector should review its competitive situation in depth and bring its conclusions to the attention of the Government in order to prevent the interests of this important sector from being compromised in exchange for concessions whose economic value may be less significant. Since a quick and drastic opening of their insurance markets risks jeopardizing some of the advances domestic insurers have made during recent decades, a cautious and step-by-step approach is advisable. Emphasis should be put on the need to improve and strengthen insurance regulation and supervision, which have to accompany privatization and liberalization in order to make them a success. The mobilization of technical cooperation for this purpose should be encouraged.

20. Since many developing countries are in the process of implementing privatization and liberalization measures in their insurance sector, the Standing Committee may wish to consider the possibility of convening a three-day encounter, prior to its third session, for the exchange of relevant experiences so far. This could provide encouragement and guidance to countries where the insurance privatization and liberalization process has been slowed down by unforeseen difficulties. Input would be provided by the secretariat through its study of the subject and the additional material it would collect on it. If required, other sections of the secretariat might contribute further inputs.

(iii) Reinsurance issues in regard to regional cooperation (item B.1.(c) of the work programme)

21. This issue has been taken up in the context of the background report "Insurance in developing countries: An assessment and review of developments (1989-1993)" (UNCTAD/SDD/INS/2/Rev.1), in which the secretariat has devoted a chapter to cooperation among developing countries in insurance; the chapter on reinsurance also deals with the potential of greater South-South cooperation.

22. Initiatives for greater cooperation among developing countries in insurance and reinsurance have been launched at a very early stage in the evolution of their national insurance sectors. The wish to give expression to third world solidarity in the field of insurance as well as practical reasons are among the factors that have motivated such cooperation. On the practical side it was recognized that a sufficient number of risks, with similar characteristics and a geographical spread, often cannot be obtained within the limitations of a country's national boundaries. It was also realized that cooperation would give members a better bargaining position when negotiating those risks that have to be transferred overseas because the regional markets do not yet have the capacity to deal with them. Together with the wish to strengthen collective self-reliance by increasing regional retention, such considerations have prompted the establishment of wider formal frameworks of cooperation.

23. These frameworks exist on an interregional, regional, and subregional level. While there are few organizational arrangements for interregional cooperation, a number of mechanisms in the form of both reinsurance corporations and pools serve for regional and subregional exchanges.

24. These mechanisms often receive compulsory cessions (or specific business) from direct insurers of member countries. A significant part of the business received in this way is usually retroceded to the ceding companies. Since the resulting diversification of the direct insurers' portfolios allows for a better utilization of available capacity, the total retention of the region or subregion usually increases.

25. While cooperation through both regional and subregional reinsurers and pools has on the whole progressed and done well, initial expectations that it would substantially increase retention have not materialized. The reasons can be traced back to a multitude of factors - economic, political, psychological and practical. Of concern to regional and subregional reinsurance corporations is their often low capitalization, which is frequently not in tune with the substantial potentials offered by the markets in which they operate. Both pools and reinsurers are affected by difficulties in the settlement of balances with other developing countries because of exchange control regulations. Losses through delays in settlement are exacerbated when currency devaluations occur.

26. Other factors are the security perceptions between insurers and reinsurers of developing countries, which are at a low level. This has for example led members to set up pools with very limited scope and to cede to them only small amounts of business. This in turn has prevented pools from providing their members with the expected services and required management

guarantees. The fact that both pools and reinsurers do not yet supply the technical assistance that many large foreign reinsurers and brokers are traditionally providing to their clients contributes to their limited success. Also, commissions earned in hard currency when ceding to the international market discourage cooperation among developing countries.

27. Bilateral exchanges of reinsurance business on a reciprocal basis between reinsurers of developing countries are a form of insurance cooperation to which great potential is attributed. While such exchanges have not received the same sort of limelight and official support as exchanges through regional and subregional reinsurance corporations or pools, they are already taking place to a considerable extent. In Africa alone, their aggregate is reported to run into millions of dollars and to exceed the sums involved in institutionalized exchanges.

28. Despite the potentials, few arrangements have been made for specifically promoting such exchanges. It would seem useful to provide occasions for encounters among reinsurers, either by organizing annual reinsurance exchange meetings on a regional or subregional basis, or by setting aside a certain amount of time in the context of the conferences and meetings that are annually arranged by the insurance trade of developing countries. Among the strong points of such reinsurance encounters are that they provide participating companies with an opportunity to obtain information on the business profile of other developing country reinsurers, on the basis of which they can then build up business relationships, while at the same time the selection of partners is entirely voluntary. The organization of such reinsurance exchange meetings or opportunities could constitute a useful complement to existing, more formal arrangements, and have the advantage of not involving the kind of management and other expenses that are needed for the running of prestigious organizations.

29. The Committee may wish to give directions regarding the specific nature of any further work that may be requested on this item of the work programme.

(iv) <u>Exchange of experiences on creditor insurance (item B.1.(d) of the work programme)</u>

30. Due to a tight resource situation and the limited availability of documentary evidence, it was not possible to prepare a report on this issue which could serve as a basis for an exchange of experience on creditor insurance. The Standing Committee may provide guidance for its future work in this field. It may for example propose to governments that an account of relevant national experiences in this field be made available to the secretariat and inform the secretariat and the Committee of initiatives being taken to facilitate the cooperation between credit and insurance providers for the benefit of small and medium-sized enterprises.

(v) Alternative mechanisms to meet insurance and reinsurance needs in respect of catastrophes, environmental impairments and large risks, particularly in times of reduced reinsurance capacity (item B.2. of the work programme)

31. For this item, the secretariat has prepared a document entitled "Alternatives for insurance of catastrophes, environmental impairments and large risks in developing countries" (TD/B/CN.4/32). The report investigates the issues to be addressed by countries wishing to have in place programmes of insurance, financial protection and risk control to cover catastrophes, environmental impairments and large risks.

32. The increase in number and severity of natural catastrophes has resulted in the inability of insurers to continue insuring such risks at previous rates. The heavy losses insurers have had to bear from perils such as windstorm, floods and earthquake and the prospect of substantial price rises for cover have made catastrophe insurance a key concern of insurance consumers, government policy makers and the insurance industry worldwide.

33. The report provides a basic insight into the mechanics for determining the available options and examines how some of the newly developed alternatives to conventional insurance operate. The present and future value to developing countries of these alternatives is also considered. The report draws attention to the fact that insuring catastrophes by means of conventional insurance or employing newly developed "alternative mechanisms" generally requires higher capitalization and solvency than for everyday insurance risks. The insurance sector in many developing countries, and indeed the economies of those countries, may be unable to bear significant catastrophe risk and a methodology is described in the study to help developing countries to measure their individual capacities in this respect. Further country-specific investigation will be needed to assess their ability to pay for insurance provided by the international markets in excess of the limits they are able to carry for themselves. This would help such countries to ascertain the loss levels in excess of which normal commercial insurance arrangements for catastrophes and large losses are beyond their financial resources.

34. The report was able to question major international insurers and reinsurers, insurers in the "alternative markets" and major international insurance and reinsurance brokers to determine whether the contraction in global capacity would seriously affect the availability of catastrophe insurance to developing countries. It was found that any shortage in capacity is in the higher levels of global programmes with limits of indemnity far above those required by insurers from developing countries. A major problem would appear to be to ensure that catastrophe cover is offered in developing countries and taken up by insurance buyers.

35. While not pretending to offer a universal solution to these problems, the report suggests a common methodology by which a country can optimize its commercial ability to bear catastrophe risks. The programmes for individual countries or regions will necessarily have to be tailored closely to their respective exposures and financial capabilities.

36. The report should be complemented by more country-specific research on the situation in developing countries as regards insurance protection for catastrophes. The situation of island developing countries, where concern about protection, including financial protection, against natural catastrophes has been expressed with particular acuity, would seem to merit special attention. It seems justified to focus research initially on a more thorough consideration of catastrophe insurance, including insurance against natural catastrophes, a problem area which is increasingly being seen also in the context of speculation about possible climate change.

37. Although environmental impairments constitute a mounting concern in many developing countries, few have at this stage legislation in place, or are able to enforce such legislation, which renders economic entities strictly liable for the environmental damage they cause. Hence the problem of providing satisfactory insurance cover for such liability has not yet become acute in a great number of developing countries. There is little doubt, however, that the insurance industry of developing countries has to prepare itself for handling such issues in the near future.

38. As regards the currently crucial issue of protection against catastrophic risks, detailed research will be required to ascertain the risk exposure of developing countries in respect of catastrophes, the extent to which local insurers are willing to provide cover for such risks, the financial ability of local insurance industries and national economies to bear catastrophes and the ability of economic agents to pay catastrophe insurance premiums.

39. A follow-up study would have as its basis a questionnaire sent to all developing countries. The information requested would include a summary of the natural catastrophes to which the country is exposed, data on the frequency and severity of past incidents, total damage suffered and the proportion of insured damage. Information would also be requested on the extent to which local insurers offer cover for catastrophe risks, and the capitalization and likely maximum capacity of local insurance markets. To the extent that such information is made available, national economic data could be used to estimate the theoretical maximum each country could pay from its national assets in bearing catastrophe risk. The local insurers' ability to pay catastrophe losses might also be evaluated and the relative size of each country's insurance sector to the economy as a whole so as to provide an assessment of the potential for the country to develop an insurance sector with larger local capitalization and the capacity to accept more risk.

40. Depending upon the depth of the furnished data, it should enable a country-by-country estimate to be made of values exposed to possible catastrophic events and the local capability of insuring such risk. This could reveal the extent to which catastrophe risk cannot be carried locally and the potential requirement for additional catastrophe cover from the international insurers and reinsurers. Such an exercise might also enable an estimate to be made of the potential need for international support in the event of a major catastrophe, as it could reveal the extent to which the country's ability to pay catastrophe insurance premiums falls short of the amount needed to cover its exposure. The results of such work would assist in

the future establishment or structuring of any mechanisms such as pools or cooperative arrangements with governments to deal with the insurance of catastrophe risks.

41. It is now increasingly recognized that the insurance sector cannot alone bear the risks of protection against catastrophic events but needs the support of governments, both in the latter's capacity to legislate and set risk management standards and as insurers of last resort. Governments, on their side, are increasingly turning to the insurance industry in their search for ways of protecting national assets against natural catastrophes, as insurers have gathered substantial information on the incidence of such catastrophes and accumulated experience in dealing with catastrophic loss. Any effective solutions in this area are likely to demand cooperation between governments and the insurance industry, possibly with the support of national and international donors.

42. The second session of the Standing Committee will provide the first opportunity to discuss this cluster of problems and initiate a search for solutions which should involve both the insurance sector and government agencies of developing countries.

(vi) <u>Expanding the insurance sector in agriculture and rural insurance (item B.3 of the work programme)</u>

43. To respond to this item, a sessional document was prepared by the secretariat entitled "Issues of agricultural insurance in developing countries" (TD/B/CN.4/30).

44. The document takes account of the recommendations and conclusions of the Group of Experts on Agricultural Insurance in Developing Countries, which was convened in early 1993 by the Secretary-General of UNCTAD. For more detail on specific issues regarding the introduction and operation of agricultural insurance cover, readers can refer to the comprehensive background study "Agricultural insurance in developing countries", (UNCTAD/SDD/INS/1/Rev.1), a revision of the study presented at the Committee's first session on insurance, which supports and complements the document for the present session.

45. The sessional document points out that traditionally insurance in developing countries provides for risks in urban areas and in the modern production sector. It argues that if insurers want to expand their small markets and achieve a better spread of risks they need to move into those areas where the majority of domestic productive activities take place and where most of the people live and work. Many of the agricultural production units are of small and medium size, generating risks that are less sophisticated technologically and can be handled with less difficulty by expertise available locally. This would help insurers to constitute more balanced portfolios, reducing their heavy reliance on overseas reinsurance and helping them to retain more premium. Agriculture, a major economic sector in many developing countries, would therefore merit the close attention of insurers in search of viable business.

46. The document suggests that insurers should turn their attention first to the commercial and specialized agricultural production subsector which offers many opportunities for commercially viable insurance operations. As regards insurance schemes for the majority of small and/or near-subsistence farmers, the introduction of workable schemes requires larger administrative investments and cooperation with governments, which may need to provide some elements of subsidization. The document then summarizes issues involved in crop and livestock insurance.

47. It suggests that once a foothold in rural areas has been gained through livestock, crop, aviculture or aquaculture insurance, insurers could enter the countryside with a variety of other insurance lines, be it traditional insurance products, which are simplified and adapted to rural areas, or new policies developed for the specific needs of the rural population. Alternatively, insurers could first market traditional insurance lines and then add specific agricultural producer services.

48. The document draws attention to opportunities for insurers of linking up with other partners active in rural areas, particularly through associating insurance with rural credit schemes. It then highlights the contribution effective insurance programmes can make in the context of agricultural development strategies by, for example, promoting larger financial flows to rural areas, increasing agricultural productivity and supporting efforts to achieve food self-sufficiency. It suggests that insurers in developing countries should mobilize government backing for promoting agricultural and rural insurance, and should try to be associated with agricultural development schemes sponsored by international agencies and donor governments.

49. In view of the long-term opportunities presented by agricultural insurance a follow-up study should look more closely into the experience which developing countries have so far acquired in this field. In this context emphasis should be placed less on analysing large subsidized public insurance schemes and rather on innovative and viable policies developed by insurers for their rural population and agricultural production entities. In this context issues of livestock and aquaculture insurance would merit special attention. The experience so far gained in developing countries, as well as the relevant experiences of the developed countries, can provide guidance for insurers in those developing countries that want to expand into rural areas.

Chapter III

STRENGTHENING TECHNICAL COOPERATION AND HUMAN RESOURCES DEVELOPMENT

50. As regards item "C. Strengthening technical cooperation and human resources development" of the work programme, the secretariat has continued to provide support, advice and training to a number of developing countries with a view to developing and strengthening their insurance sector.

(i) Regional projects

51. The UNDP-funded project for ASEAN member countries had as its objective to improve the expertise available to the supervisory staff of ASEAN's Insurance Commissioners in a number of technical fields. The project contributed to promoting cooperation by providing uniform training in the area of insurance supervision. Two seminars were organized in 1992 and one in 1993. The areas covered by the seminars included "Loss reserving" and "Techniques for recruiting, training, evaluating and retraining of regulatory staff". These seminars constituted the final activities of the project.

52. Under a UNDP-funded project for Africa whose objectives included the promotion of greater cooperation among African reinsurers with the aim of increasing regional retention and strengthening collective self-reliance in insurance, a third reinsurance exchange meeting was organized in 1992. The purpose of the meeting was to give African reinsurers an opportunity to discuss their reinsurance operations and to exchange actual business before placing it in international reinsurance markets. Most of the African professional reinsurers and insurers with reinsurance operations participated. This represented the last activity under the regional project.

(ii) National projects

53. The aim of an ongoing project for Bangladesh funded by UNDP is to strengthen the training capacities at the Bangladesh Insurance Academy (BIA) by improving the training facilities, revising and updating the curricula and upgrading the qualifications of the BIA staff and management. During 1992 and 1993, consultancy services were provided and equipment was ordered in line with project activities. The next phase in the project will consist of introducing the new curricula, training the trainers of the BIA, providing further equipment and organizing long-term training in actuarial science for several Bangladesh citizens.

54. Under a UNDP/OPS project for Djibouti a mission was fielded and a report prepared during 1992 to advise the Government of Djibouti on legal, structural and educational matters in the field of insurance.

55. A UNDP-funded project for Kenya, whose objectives were to assist in drafting the new Insurance Act and establishing the Insurance Department, was concluded at the end of 1992.

56. Training programmes were organized and an expert fielded during the 1992-1993 period under a UNDP-funded project for the Maldives. The

immediate objective is to improve the expertise available to the Allied Insurance Company of the Maldives, a government-controlled insurance company of the Republic of Maldives.

57. The objective of a project for Myanmar funded by UNDP is to contribute to the reorganization of the state-owned insurance organization of Myanmar, in particular by increasing the expertise of its staff and its capabilities to service the needs of the Myanmar economy. Under this project 10 staff members of Myanma Insurance participated in specific long-term training programmes in different countries, which included courses and on-the-job training during 1993. Following the UNDP Governing Council decision 92/26 to implement the Fifth Country Programme from Fourth Cycle resources and to give high priority to projects likely to have greater impact at the grass-roots level, the project could only be continued with a substantial reduction in the overall budget. Consequently, the training programmes organized during 1993 were the last activities under the project.

58. Under a project for Oman funded by the Government of the Sultanate of Oman, a report on the feasibility of establishing a domestic reinsurance company in the Sultanate of Oman was prepared by UNCTAD in 1992 and updated in 1993.

(iii) Future activities in the field of technical cooperation

59. A number of requests for assistance received by the secretariat concerning insurance activities are still unanswered because of financing problems. Requests are related to support and advice on privatization reforms, human resources development for industry professionals and supervisory authority staff, and the setting up of agricultural insurance schemes.

60. UNDP, the main source of funding for insurance-related projects in the past, has had its overall resources reduced, particularly those of its intercountry programmes. Furthermore, UNDP's emphasis is increasingly on "Sustainable Human Development", which is taken to include poverty alleviation, environment protection, job creation and enhancing the role of women - subject areas that are only indirectly related to an area like insurance.

61. Consequently, UNCTAD's technical cooperation programme in insurance can only be maintained at its present modest levels, if bilateral donors, at both the country and intercountry levels, make funds available for this purpose. This would be a concrete way of indicating their support for the view that investment in insurance brings significant returns to the economy, including indirectly to the poorest sections of the population.
