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ENGLISH VERSION

# Insurance Forum

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IN THE OCCASION OF ARGENTINA'S G20 PRESIDENCY 2018



BUILDING  
CONSENSUS FOR FAIR  
AND SUSTAINABLE  
DEVELOPMENT



**Insurance Forum Argentina 2018**

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This booklet compiles contributions of panellists from the Insurance Forum 2018, held in San Carlos de Bariloche, Argentine Patagonia.

We thank everyone who made this event possible, which will remain in history for being the first Insurance Forum held in the occasion of the G20.

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## Prologue

The Insurance Forum 2018 was held in the City of Bariloche, in the Argentine Patagonia, on September 24-26 and gathered more than 350 representatives from the national and international insurance markets and included the participation of the Minister of Transport, Guillermo Dietrich, and the Secretary of Finance, Santiago Bausili, and a speech given by President Mauricio Macri

It was the first insurance event conducted within the framework of the G20 and organized by the Argentine Government through its Insurance Authority (Superintendencia de Seguros de la Nación) and the Argentine presidency of the G20. The event promoted the value of the insurance sector as a key actor for the development of economies and as the center of the discussions of global leaders.

The agenda of the Insurance Forum 2018 focused on four central points: the promotion of long-term investment in infrastructure, the construction of resilient economies, insurance 2.0: towards digital disruption, and the insurance globalization.

“An event of these characteristics constitutes a milestone for the insurance sector. G20 priorities –under the Argentine presidency- are the

future of work, the infrastructure for development and a sustainable food future, areas directly connected to the insurance industry. This increases the importance of the event,” said Juan Pazo, Superintendent of the Argentine Insurance Authority.

The organization of the Insurance Forum 2018 has been carried out with the assistance of the OECD (Organisation for Economic Co-operation and Development), which acted as Secretariat during the regulators event. The meetings held on September 25-26 were organized thanks to the collaboration and cooperation of the local and international insurance industry represented by the Geneva Association, the Global Federation of Insurance Associations (GFIA), the Argentine Insurance Committee and its chambers (ADIRA, AVIRA, AACS and UART). To that end, an Executive Committee was created. It was chaired by Adrián Werthein from Grupo Werthein and co-chaired by Alejandro Simón (Sancor Seguros), Recaredo Arias (Vice President GFIA), José Cardoso (President IRB Brasil RE) and Toyonari Sasaki (Vice President of Life Insurance Association of Japan).







## G20 Argentina 2018



## G20 Argentina

### Priorities



#### **The future of work**

Unleashing people's potential.



#### **Infrastructure for development**

Mobilizing private resources to reduce the infrastructure deficit.



#### **A sustainable food future**

Improving solid and increasing productivity.

## Priorities: making our contribution

Our presidency will focus on three key issues: the future of work, infrastructure for development, and a sustainable food future.



### The future of work: Unleashing peoples' potential

Technological change is extraordinary in its magnitude and speed. The emergence of new technologies has led to the development of new forms of work that are rapidly changing production processes worldwide. This offers huge opportunities to accomplish fair and sustainable development; yet it also presents challenges that are putting pressure on the employment, welfare and education agendas.

Policy responses need to ensure that embracing technological change will not engender exclusion, social disintegration, or backlash. Providing these responses in a coordinated manner will also help prevent excessive gaps in technology adoption across countries and surging inequality among them.

We need to create the conditions for more and better jobs. We need to provide tools and skills to those people looking for a job and those whose jobs are at risk of being replaced by automation. We should explore global initiatives that ensure that everyone has a chance to develop their full potential so as to benefit from the new technological era.

We will seek to pin down the impact that technological change is having on productivity, growth, jobs, and inequality. Following a diagnostics phase, we will also explore the policies needed to embrace the opportunities and address the challenges presented by technology.

Education is at the crux of this debate. Education empowers people to shape their own futures. It enables them to create their own endeavours and form an active citizenship able to contribute to the development of a world that is both fairer and more sustainable.

Making the new wave of technological breakthroughs as inclusive as possible will require considerable investment in training and skills for life and work. It may also require an adaptation in our fiscal policies or structural reforms. Now is the moment to shape the opportunities and skills that prepare our citizens for change.



### Infrastructure for development: Mobilizing private resources to reduce the infrastructure deficit

Infrastructure is critical to development. Investment in infrastructure boosts growth and productivity. Moreover, infrastructure provides the physical and digital access necessary for our citizens to seize the opportunities of the future economy.

Despite its importance, investment in infrastructure is far less than what is needed to sustain vigorous growth and make it truly inclusive. The global infrastructure gap projected from now to the year 2035 amounts to USD 5.5 trillion according to some estimates. Meanwhile, institutional investors around the world have USD 80 trillion in assets under management, typically offering low returns.

Mobilizing private investment toward infrastructure is crucial to closing the global infrastructure gap. It can also ensure a better return for those who today save and invest. This is a win-win objective and it requires international cooperation.

We will seek to develop infrastructure as an asset class by improving project preparation, addressing data gaps on their financial performance, improving the instruments designed to fund infrastructure projects, and seeking greater homogeneity among them.

Developing infrastructure as an asset class holds great promise to channel the savings of today into public infrastructure, efficient transportation services, basic sanitation, energy flows and digital connectivity that will make each person of today a global citizen and worker of tomorrow.



### **A sustainable food future: Improving soils and increasing productivity**

Food security is an important link in the process of achieving stability and peace. In no other case are security and development more evidently interlinked and mutually reinforced as in food. Meeting the dietary needs of future populations requires a sustainable way of increasing agricultural productivity.

The G20 countries are key players in the global food system. Our territories account for about 60% of all agricultural land and account for almost 80% of world trade in food and agricultural commodities. Soils are a key part of the natural environment and from where most of the food consumed by mankind is produced. As a limited and non-renewable resource, they require the greatest attention. Healthy, fertile and productive soils are necessary for food security and human health, and their preservation is crucial for sustainable development and life on our planet.

Approximately 10 million hectares of cropland are lost every year due to soil erosion. The reduction

of the land available for food production causes an irreversible degradation to the ecosystem which becomes dramatic in developing countries or regions with high food insecurity.

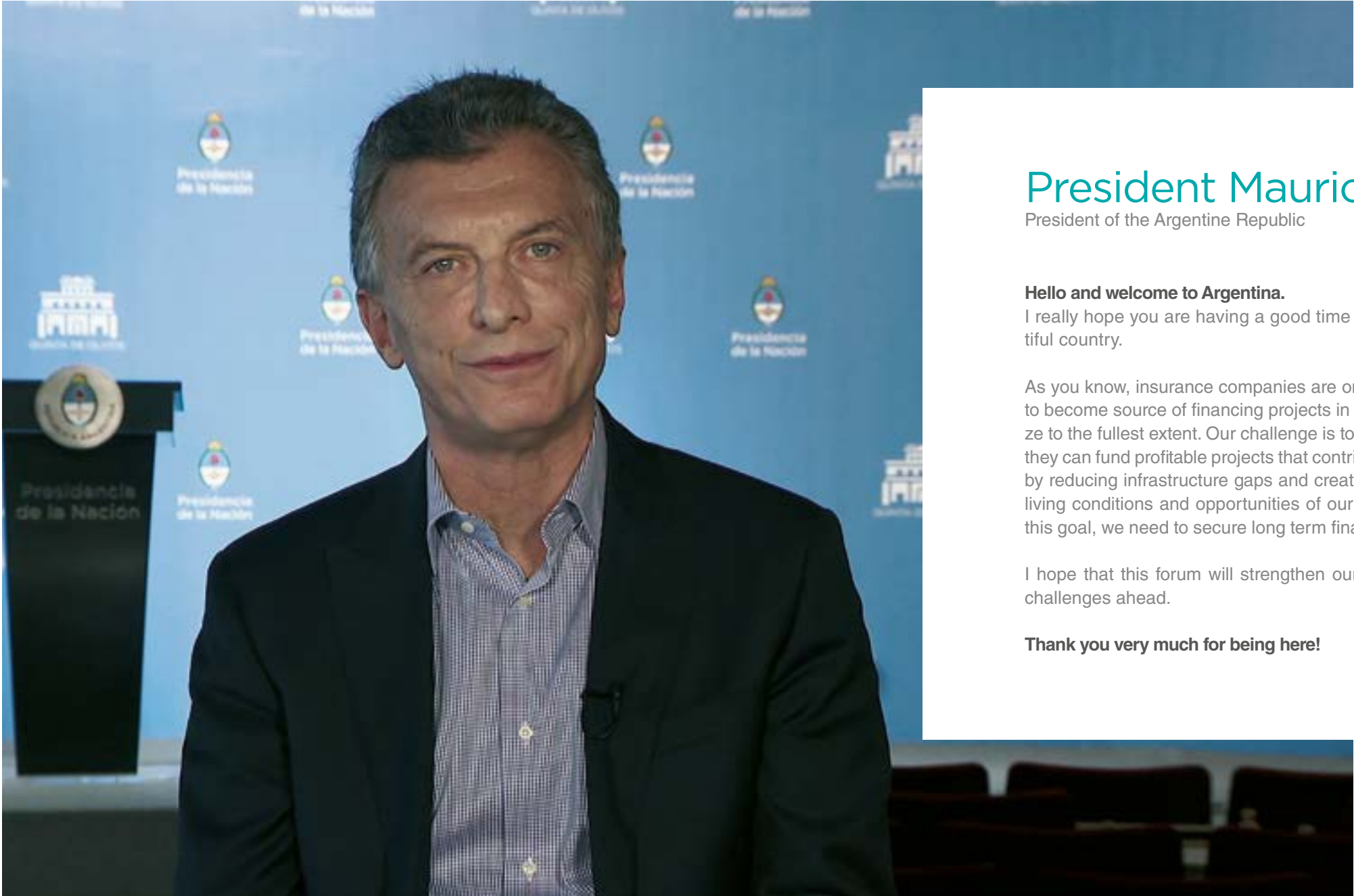
We have a valuable opportunity to promote a broad debate on the importance of sustainable soil

management. The work in this field will be oriented to explore how the G20 can provide the international coordination necessary to foster public-private collaboration between industries, governments, international agencies, farmers' associations and civil society.

## Reaching out

Argentina has invited Spain, Chile and the Netherlands to attend the G20 meetings. We have also invited the chairs of the Caribbean Community (Jamaica), ASEAN (Singapore), African Union (Rwanda) and NEPAD (Senegal). Given its strong focus on infrastructure investment, our presidency has invited the Inter-American Development Bank and CAF-Development Bank of Latin America. We are also looking forward to the continuing contributions of international organizations, including the United Nations, IMF, World Bank, WTO, OECD, Financial Stability Board and ILO.

Global solutions call for broader, stronger engagement. Building consensus for fair and sustainable development requires the commitment not only of governments but also of all sectors of society. We will continue to foster a comprehensive and pluralistic dialogue with Business20, Women20, Labour20, Think20, Civil20, Science20 and Youth20.



# President Mauricio Macri

President of the Argentine Republic



Reproducir video

**Hello and welcome to Argentina.**

I really hope you are having a good time in Bariloche, one of the many wonders of our beautiful country.

As you know, insurance companies are one of the largest institutional investors. Their capacity to become source of financing projects in the real economy, is an opportunity that we must seize to the fullest extent. Our challenge is to provide fair and stable conditions to investors so that they can fund profitable projects that contribute to the development of our economies, especially by reducing infrastructure gaps and creating jobs. We are strongly committed to improving the living conditions and opportunities of our citizens, especially, the most vulnerable. To achieve this goal, we need to secure long term financing and build sustainable and resilient economies.

I hope that this forum will strengthen our bonds and our capacity to work as a team on the challenges ahead.

**Thank you very much for being here!**



# Insurance Forum 2018

We are driven by the belief that insurance is a pillar of social and economic resilience. The outcome of our Side Meeting will be of fundamental value to the G20 agenda. In light of the aforementioned three pivots of our G20 Presidency, we believe the Insurance industry has much to contribute. Not only in its creative capacity for developing innovative solutions for people and countries, but also as a catalyst of financial resources for enterprises all across the economy. It is the time of creative solutions, of engaging in private public dialogue.

**The G20 Insurance Forum is precisely that.**

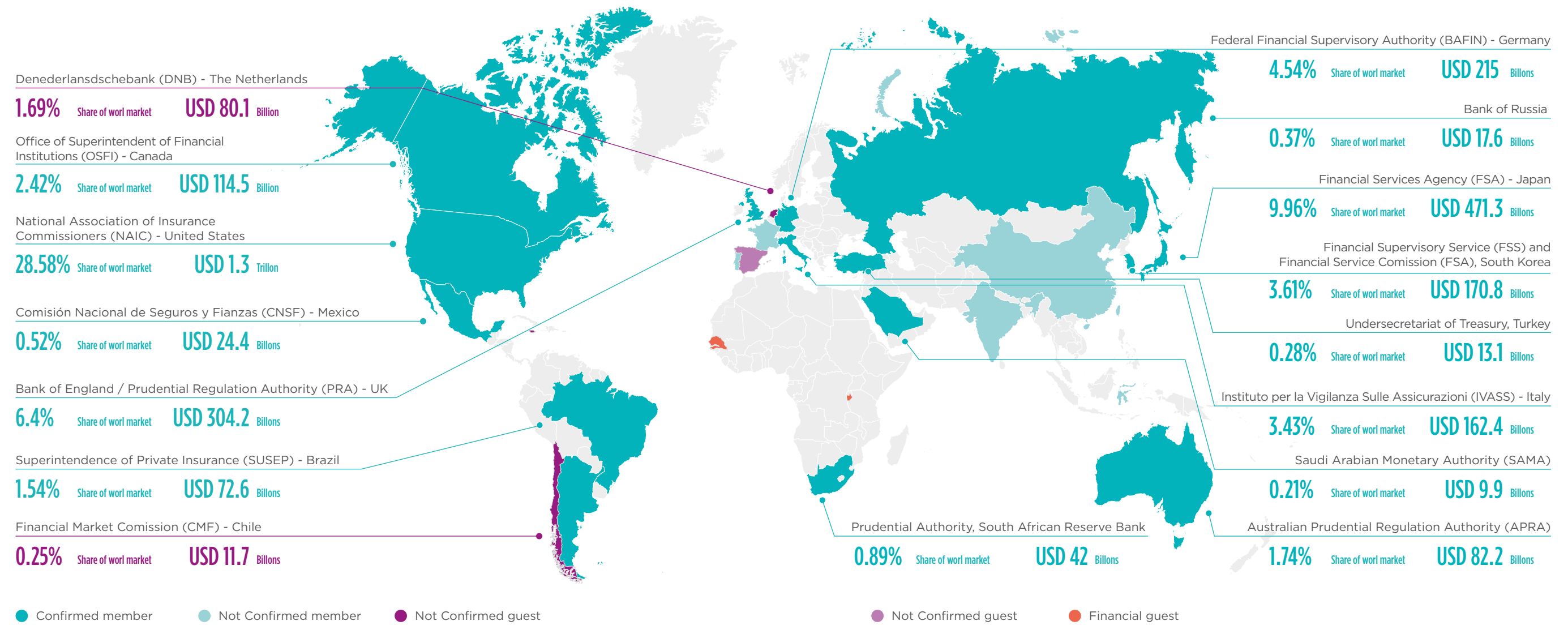
## Why a G20 insurance forum?

Our goals are:

- **G2B engagement**  
We want to show how government and business can work together towards a common good. Listening to our mutual concerns and seeking synergies for sustainable development.
- **A legacy for future G20 meetings**  
Insurance can play a strategic role in addressing global challenges.
- **Leveraging our voice to the G20 leadership**  
We aim to achieve a tangible contribution to global policy making.



### Share of world market - G20 members



INSURANCE FORUM ARGENTINA 2018

INSURANCE FORUM ARGENTINA 2018

The Insurance Forum, held in the occasion of Argentina's G20 presidency, was the first of its kind. We intended to bring a pragmatical and hands-on approach to the global perspective of the G20 leadership's agenda. With that in mind, we have identified four topics which served to convey the industry's message to a higher policy making level:

### Promoting long-term investment in infrastructure

As a risk bearer and investor, the insurance activity is a systemic component of financial stability. A regulatory framework that allows for sound and sustainable investment, can pave the way to economic growth, job creation and inclusive development.

### Building resilient economies

Insurance can play a key role in transitioning to a sustainable economic model by promoting financial inclusion, therefore building a social and environmentally resilient world for future generations. By improving fair and affordable insurance, financial protection services can broaden their outreach

to underserved population and natural disaster prone areas. Risk sharing and risk transfer mechanisms will be important in helping communities and economies meet these threats.

Financial Inclusion is a critical component of sustainable economic development.

Approximately 2 billion people do not use formal financial services, and the majority are women. At present, women have only 77 percent of the access than men do to financial services.

Combating poverty and increasing economic growth require increased availability of basic financial products and services for all people. Microinsurance understood as a financial tool that helps people to access the formal economy, not only women,

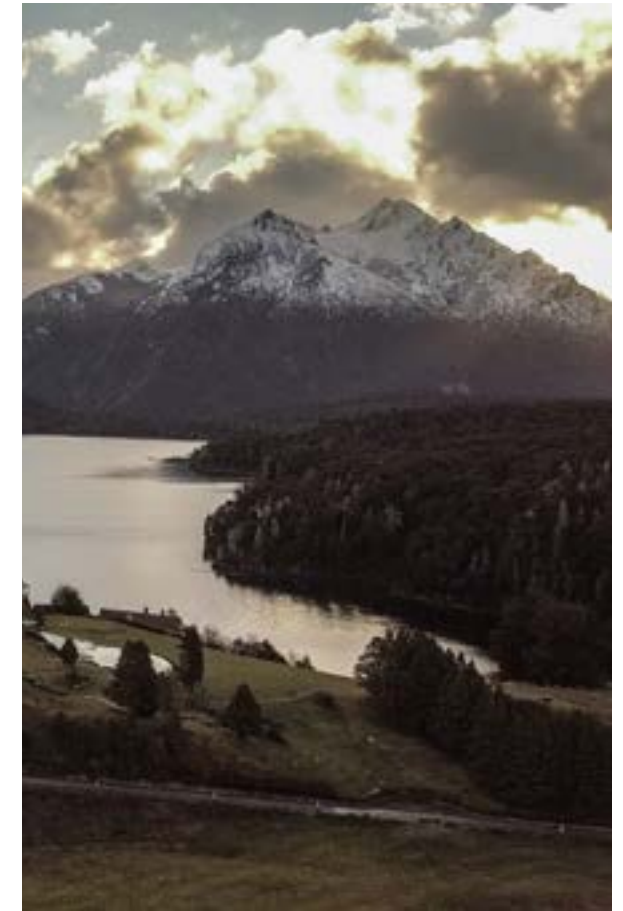
but also the most vulnerable population, is the first step towards a more inclusive financial system.

### Insurance 2.0: Facing digital disruption

The insurance industry and policy-makers should promote the best use of digital technology for consumers, insurance industry as a provider of coverage and protection for cyber risk, development of internationally consistent cyber risk related data, sound policy measures on data protection and data usage, cross-sector and cross-border coordination and cooperation.

### Globalizing Business

In order to achieve a solid industry that can serve as a systemic tool for the many challenges discussed, business should maximize resources by proper diversification of risk. For this, policy makers should promote fairness and open market approaches.





## Dr. Juan Pazo

Mr. Pazo is the Superintendent of Insurance of the Republic of Argentina. Before his current appointment in early 2017, Mr. Pazo served as Chief of Staff of the Financial Information Unit, Argentina's supervisor and regulating agency of AML/FT. He served in this role from late 2015 to early 2017.

Prior to joining the public sector, Mr. Pazo worked as a corporate attorney advising in a wide range of business and corporate transactions. He also served as executive director in local companies.





## G20 - Insurance Regulators

“Insurance can provide new and creative responses to many of the challenges faced by the G20 leaders”

**Juan A. Pazo**

Superintendent of Insurance of Argentina



## Insurance is the answer

The insurance sector, as an essential institutional investor, plays a critical role in supporting the resilience and stability of the real economy, and also, acts as an important instrument of protection for individuals and societies. Discussions related to sustainable development, barriers to long-term investment in infrastructure, technological innovation and financial stability, cannot be fully addressed without the voice of the insurance sector. Insurance can provide new and creative responses to many of the challenges faced by the G20 leaders, not only through the development of innovative products to improve economic resilience, but also as a supplier of resources for long-term goals.

The moment we decided to carry out the Insurance Forum, we did it with one clear purpose: to position the insurance sector, government and business, as a unique and distinct stakeholder in future G20 events, strengthening policy leaderships through international engagement. The impact we aimed to make, both locally and globally, was to convey a message of awareness to leaders of the risks arising from an increasingly volatile world in terms of

“I would like to specially highlight the joint nature of this effort. This Forum has been the result of the government and private sector working together”.

financial stability, natural events, health and technological advancements, and how insurance can be an instrument of social and economic resilience to cap the potentially negative consequences of such volatility. I believe we succeeded.

The Insurance Forum was undoubtedly influential. The G20 Leader’s declaration – Building consensus for fair and sustainable development - states:

*“Infrastructure is a key driver of economic prosperity, sustainable development and inclusive growth. To address the persistent infrastructure financing gap, we reaffirm our commitment to attract more private capital to infrastructure investment. To achieve this, we endorse the Roadmap to Infrastructure as an Asset Class and the G20 Prin-*

*ciples for the Infrastructure Project Preparation Phase. We are taking actions to achieve greater contractual standardization, address data gaps and improve risk mitigation instruments. In line with the Roadmap, we look forward to progress in 2019 on quality infrastructure.”*

I would like to specially highlight the joint nature of this effort. This Forum has been the result of the government and private sector working together. We hope this is an example for other sectors of the economy as well. We are proud of what we have accomplished through mutual respect and understanding between regulators and the industry.

The Japan Insurance Forum is proof of this effort and the continuity we need to ensure a legacy for

future G20 meetings, positioning the insurance sector in global talks on the challenges of future policy-making.

We are at a turning point in history, where traditional political, economic and social structures are undergoing changes. This situation forces different political and economic actors to work together to facilitate long-term sources of financing in infrastructure that contribute to creating development and resilience in increasingly volatile scenarios. Insurance can and should be the answer.

**Looking forward to meeting you all again in Tokyo!**



# Building Resilient Economies

..  
G20 Regulators Summit

## MODERATOR

**Astrid Zwick** | Head of Secretariat, InsuResilience

## SPEAKERS

**Thomas Sullivan** | Associate Director, Federal Reserve Board, United States

**Christiaan Henning** | Analyst, Risk Support Department, Prudential Authority, South African Reserve Bank

**Hiroshi Ota** | Deputy Commissioner for International Affairs, Financial Services Agency, Japan

**Gordon Ito** | NAIC Secretary-Treasurer and Commissioner, Hawaii Department of Commerce & Consumer Affairs Insurance Division

**Hannah Grant** | Head of the Secretariat, Access to Insurance Initiative (A2ii)

**Kevin Cowan Logan** | Commissioner of the Chilean Financial Market Commission (CMF)





**Dr. Astrid Zwick**  
Head of Secretariat, InsuResilience

### The role of insurance in global policy discussions

Insurance can play a key role for economic growth with its risk carrier capacity and as large institutional investor. Impacts of natural disasters, for example, may cause significant reductions in national GDP deviating budget for economic growth to recovery. While in high-income countries almost half of all economic losses from disasters are covered by insurance, less than 5% of losses are covered in poorer countries, with the poorest people suffering the largest “protection gap”. Risk transfer can be cost-effective and efficient, it incentivises risk management and adaptation efforts - especially effective in combination with preparedness, early warning systems, risk reduction, safety nets, response, recovery.

**“Reinsurance was emphasised due to its solvency capacity”.**

### Highlights from the session

The distinctive session panelists agreed that with increasing longevity and disaster risks, the protection gap is a growing challenge that must be addressed. The role of supervisors in the promotion of fair, safe and stable insurance markets for the benefit and protection of policyholders is crucial and proportionate and appropriate approaches for access to insurance for the millions of unprotected individuals and business are needed. Further recommendations for example covered holistic risk management, an accessible data repository and the benefit of Public Private Partnerships. Reinsurance was emphasised due to its solvency capacity and panelists considered a broad education of consumers in financial literacy and risk awareness as a key topic. It was consensus that especially in low- and mid-income countries the definition of appropriate regulation for microinsurance and its integration into regulatory processes as well as incentivising the design of products for low-income people can contribute to close the protection gap.

### The Insurance Forum as a precedent for the future

Recognising the crucial role that insurance can play in building resilient economies and promoting sustainable economic development, such a forum could be taken up by other jurisdictions in an effort to position Insurance Supervision and the Insurance Industry as a crucial contributor to global discussions.

### Insurance Forum Highlights

The Argentine Superintendency took leadership in highlighting the crucial role of insurance as part of the G20 Presidency. A key takeaway was the value of on-going engagement and discussion at a global level on economic resilience, infrastructure investment and innovation.



**Christiaan Henning**  
Analyst, Risk Support Department,  
Prudential Authority, South African  
Reserve Bank

I recently had the honour of being invited to participate in a panel discussion in the beautiful town of San Carlos de Bariloche, a jewel located in Argentina's Patagonia region.

The Superintendent of Insurance of Argentina hosted a first-of-its-kind event in parallel with Argentina's G20 presidency – an event aimed at bringing a pragmatic and hands-on approach to the global perspective of the G20 leadership's agenda with regard to sustainability.

The panel discussion in which I participated, discussed various aspects of the theme "Building Resilient Economies" and succeeded in bringing valuable views and discussions to light regarding this interesting topic. As a result, I would like to share some of my views on financial inclusion, specifically, in the insurance context, as it is in my view a critical component in building a resilient economy.

Protecting the health and livelihoods of society – one of the cornerstones of the economy – is crucial in maintaining economic growth and stability. Unfortunately, there are many people around the world that are either underinsured or not insured at all. These financially excluded people are exposed not only to the general effects of being uninsured during periods of adverse circumstances, but also to

the devastating effects of climate change as well as climate-related (and other) catastrophes. Although insurance is such an important risk mitigation instrument for these risks, it is largely underutilised and unappreciated by the low income market (i.e. those that probably need it the most). The lack of financial education and the limited availability of low-cost insurance products tailored to the needs of these markets are two important contributors to this unfortunate situation.

Financial education remains one of the main objectives of an inclusive regulatory framework as it aims to create an increased appetite for insurance products amongst the uninsured by demonstrating their long-term value. It is also supposed to create awareness around appropriately priced insurance products that meet the needs of those that are part of the low income market.

In South Africa, the need to provide financial education is enshrined in our overarching financial regulatory framework. Clear objectives and responsibilities are written into our legislation, formalising and embedding accountability. I believe this is a crucial step for any jurisdiction to take in order to make sure financial education, and in turn appropriate financial products and services, reach those that need it the most.

**“Protecting the health and livelihoods of society – one of the cornerstones of the economy – is crucial in maintaining economic growth and stability”.**

Financial education provided to the low income market will be redundant if there is no supply of low-cost insurance products that meet the needs of customers in this segment. Although justified, regulatory and supervisory requirements are getting more complex, and by implication more expensive.

The resultant costs involved in satisfying these requirements might therefore hinder insurance providers to design and market such tailored low-cost products. As a result, the insurance sector tends to focus more on the products and services provided to those already insured and very often forget about those that are not.

In South Africa, progress has been made to address the issue of the availability of suitable low-cost products as a result of the introduction of the new Insu

**“Let us therefore not turn a blind eye to certain parts of society, but let us work together to ensure we provide adequate and appropriate protection to the poorest and most vulnerable members of society”.**

rance Act, 2017 that became effective on 1 July 2018. The Act introduces a focused prudential framework for microinsurers that provides for a proportional approach to the prudential supervision of entities licenced as such. Microinsurance business is defined in the Act and includes a limited scope of insurance products that meet very strict rules in terms of complexity, design, distribution and benefits. The prudential framework has also been developed in such a way that it allows for lower capital requirements while also placing a limitation on investments. This is important to ensure the risks undertaken by these microinsurers are commensurate with the proportional regulatory approach and remain within the ultimate objective of insurance supervision (i.e. the protection of policyholders).

I thought to share a very simple analogy that came to mind when I stared into the distance of one of the most spectacular views I was ever blessed with. It occurred to me from the comfort of a reclining chair in the warm foyer of my hotel in San Carlos de

Bariloche. Overlooking the lush greenery and untouched forestry lay a vast lake with the cleanest, purest water I have ever seen and tasted. In the distance, a mountain range draped in a coat of white snow seemed to be suspended above the lake and it made me think...

Suppose the economy is the lake: it is filled not only by the largest rivers and streams at the lowest parts of the mountain range, but also from the smallest streams originating at the highest peaks, there where it is often difficult and costly to get to. Wouldn't we want to make sure that even those sources are protected and looked after given their contribution?

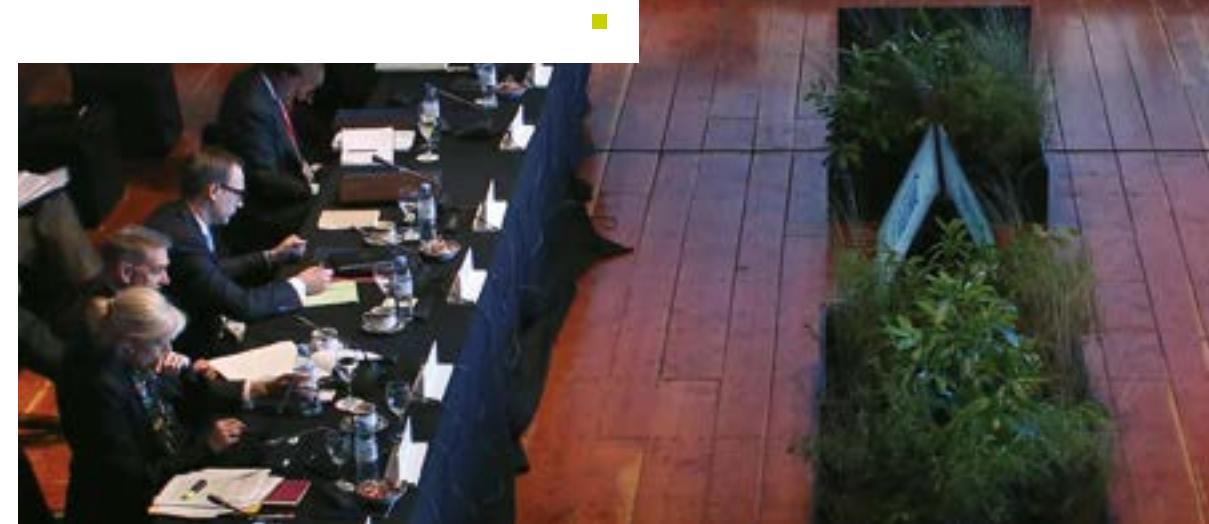
Our economy is only as healthy as those smallest contributors and **they can make all the difference!**

Let us therefore not turn a blind eye to certain parts of society, but let us work together to ensure we provide adequate and appropriate protection to the poorest and most vulnerable members of society.



Let us come together as supervisors and industry participants to lay a solid foundation for future societies and generations, and start building a more sustainable economy brick by brick and cement our actions into a more robust and resilient insurance sector that ultimately contributes to a more robust and resilient economy – one that is fair and non-discriminating – in order to improve the livelihoods of all citizens of our amazing planet.

Thank you to the Superintendent of Insurance of Argentina for hosting such an exciting and life-changing event. I hope this forum can continue on such a high note and that various jurisdictions around the world can continue to share such insightful and meaningful views on topics related to sustainability and financial inclusion.







**Gordon Ito**  
NAIC Secretary-Treasurer and  
Commissioner, Hawaii Department  
of Commerce & Consumer Affairs  
Insurance Division

Promoting resilience through insurance has a significant impact on the stability of the real economy. With the growing economic cost of natural disasters and other catastrophic events placed on insurers and policyholders, the importance of providing adequate, fair and accessible protection for consumers, businesses, and communities becomes crucial. The discussion on resilience highlighted the need for insurance supervisors to help provide policyholders with the options to protect themselves against disaster risk. The session emphasized the key role supervisors play in effective mitigation by encouraging legislatures to be proactive as well as educating uninformed consumers to guard against losses. There is a real need to continue to encourage resilience with these on-going global discussions in order to help supervisors, insurers, and policyholders understand and be prepared for the risks and financial cost of recovering from potentially catastrophic events. Without proper policy protections, recovering from losses has broader impacts on the economy and leaves the most vulnerable without protections.



**“Without proper policy protections, recovering from losses has broader impacts on the economy and leaves the most vulnerable without protections”.**

We commend the Ministry of Finance of Argentina and its Superintendence of Insurance, for holding a meeting of G20 insurance regulators and policy-makers, as well as insurance industry stakeholders on the sidelines of the Insurance Forum in 2018. Insurance is a critical facilitator of economic growth, enhancing financial advancement of economies and consequently of strategic relevance across the full gamut of the G20 agenda. We believe that such gatherings will be of benefit for G20 leaders, the international community, insurance regulators, and the global insurance industry.



**Hannah Grant**  
Head of the Secretariat, Access to Insurance Initiative (A2ii)

### The role of insurance in global policy discussions

Insurance is a key ingredient for sustainable economic development and the establishment of resilient communities. Too often in global policy discussions the catalytic role that insurance can play in driving, supporting and sustaining growth is overlooked or not fully acknowledged.

### Highlights from the session

What struck me from the panel discussion was the breadth of ways that the insurance sector can contribute to building a more resilient economy. Insurers both through the products they underwrite as well as through their investment activities can help societies deal with challenges they face such as climate change, natural catastrophes, humanitarian crises and wealth inequalities. The insurance supervisor has a leading role to play in creating an enabling environment which incentivises insurance companies to enter the market whilst also still protecting (vulnerable) consumers.

**“Too often in global policy discussions the catalytic role that insurance can play in driving, supporting and sustaining growth is overlooked or not fully acknowledged”.**

### The Insurance Forum as a precedent for the future

The Insurance Forum set a precedent for more exchange in the future between key insurance stakeholders and policymakers. It also brought to the forefront the issues at the top of policymakers’ agendas and encouraged discussion on how insurance can contribute to them.

### Highlight about the Insurance Forum

The shared enthusiasm of all involved in the Forum to help ensure insurance really can make a difference to the lives of individuals, business and communities.





**Kevin Cowan Logan**  
 Commissioner of the Chilean  
 Financial Market Commission (CMF)

**There is no doubt that the insurance sector plays an important role in supporting the resilience and stability of the economy.** By providing financial protection to businesses and individuals it enhances welfare, and increases output and productivity by reducing the impact of negative shocks and by freeing resources from costly self-insurance.

This role of insurance in supporting resilience is particularly important in Chile due to its geographic characteristics. Chile faces several catastrophic risks, including high risks of earthquakes and tsunamis. The latest earthquake and subsequent tsunami to affect Chile was in 2010. This was a large (8.8 Richter) and very costly event. Tragically, it resulted in 500 people losing their life. Overall costs approached 30,000 USD MM or 18% of GDP.

The insurance sector played a key role in supporting the recovery of the Chilean economy after the 2010 earthquake. Over 220,000 claims were reported and paid, with 100% of housing claims inspected in 6 months, and 84% liquidated in the same period. Insurance payments reached 6,837 USD million – close to 25% of total economic costs<sup>1</sup>.

<sup>1</sup> "Terremoto 2010"; Superintendencia de Valores y Seguros (current CMF), 2012; [http://www.svs.cl/portal/publicaciones/610/articulos-15031\\_doc\\_pdf.pdf](http://www.svs.cl/portal/publicaciones/610/articulos-15031_doc_pdf.pdf)

## “Insurance companies can be an important source of long term stable funding for investment”

In addition to supporting resilience, insurance companies can be an **important source of long term stable funding for investment**, opening an additional connection between insurance and long term growth.

This channel is particularly relevant in Chile, due to the important role of annuities in the Chilean private pension system.

Life insurance companies play a key role in the private pension system. When people retire they have the option of purchasing an annuity, or can opt to gradually draw their funds from their individual accounts. As a result, annuities are the most significant product for life insurers in Chile (80% of technical provisions) with Assets Under Management of close to 65 USD billion (around 20% of GDP). As a result, the insurance sector plays a relevant role in the corporate debt and commercial real estate markets in Chile. In recent years, the insurance regula-

tor (Comisión para el Mercado Financiero -- CMF) has taken several actions to further facilitate the diversification of these assets.

Finally, the insurance sector can play a valuable **role in supporting robust public sector finances**. Absent insurance, many private sector risks are ultimately transferred to the state. In economies such as Chile, that face important catastrophic risks, this transfer can potentially affect public sector finances or limit the capacity of the state to respond to large scale event. Life expectancy is a second important source of aggregate risk for public sector finances in Chile.

Life expectancy has been progressively increasing in Chile in recent decades as a result of improved health, higher income and global trends. The private pension system in Chile transfers a significant part of this risk to the private insurance sectors, hence mitigating the potential effect on public finances.



**Adequate regulation and supervision is a necessary condition for these benefits to materialize.**

On the one hand, prudential regulation must ensure that the insurance sector can adequately absorb and distribute materialized risk.

In Chile, a large share of catastrophic risk is reinsured in global markets (with companies rated BBB or higher). Hence, a key priority for regulation and supervision in Chile has been this reinsurance of catastrophic risks (e.g. issue of rule with key principles of an adequate reinsurance management policy, and standardized reporting).

Moreover, the CMF is working closely with the government on a draft bill that substantially improves the current Insurance Law, incorporating International Core Principles, moving towards risk based capital and strengthening the supervisory tools of the CMF. By introducing risk based capital, the new bill could also potentially facilitate the role of life insurance companies in long term finance, by allowing for more flexible asset allocation than the current limit-based approach.

On the other, conduct regulation must contribute to consumers and firms purchasing affordable insurance products that are appropriate for the risks they face. This is particularly relevant in middle income economies such as Chile where financial literacy is

**“Despite advances in several areas, important challenges still remain in Chile in the area of insurance and resilience”.**

lower and where there are still significant number of uninsured households and firms.

Despite advances in several areas, important challenges still remain in Chile in the area of insurance and resilience. As discussed in the forum, earthquake insurance coverage is low relative to high income countries such as Japan -- in particular in homes without mortgages. This lack of coverage is more acute in lower income and rural households<sup>2</sup>.

Similarly, only a small share of SMEs are insured against catastrophic risks. As a result, a large share of the fiscal costs that arose from the 2010 earthquake

<sup>2</sup> Encuesta CASEN 2011 “Inclusión Financiera”; [http://observatorio.ministeriodesarrollosocial.gob.cl/layout/doc/casen/002\\_resultados\\_inclusion\\_financiera\\_casen\\_2011.pdf](http://observatorio.ministeriodesarrollosocial.gob.cl/layout/doc/casen/002_resultados_inclusion_financiera_casen_2011.pdf)



were associated with reconstruction of uninsured households, while SMEs experienced much more severe shock than larger corporations that were mostly all insured<sup>3</sup>. In addition, there is also a potential for increasing insurance in certain public sector infrastructure. Private operated concessions in Chile are all fully insured. Public infrastructure – including schools and hospitals is not. The recent issuance of a CAT bond with the support of the World Bank, and in coordination with Peru, Colombia and México is an interesting development in this area.

<sup>3</sup> “Plan de Reconstrucción Terremoto y Maremoto del 27 de febrero de 2010 – Resumen Ejecutivo”; Chilean Government, 2010; <http://www.ministeriodesarrollosocial.gob.cl/pdf/plan-reconstruccion-resumen-ejecutivo.pdf>



# Promoting Long-Term and Sustainable Investment in Infrastructure

..  
G20 Regulators Summit

## MODERATOR

**Ignacio Federici** | Internal Audit Leader,  
Superintendence of Insurance of Argentina

## SPEAKERS

**Steven Dreyer** | Director, Federal Insurance  
Office, Department of the Treasury, United  
States

**Rakan Bin Dohaish** | Member of the G20  
Program at the Saudi Arabian Monetary  
Authority

**Jeremy McDaniels** | Secretary, Sustainable  
Insurance Forum (SIF)

**Michael Consedine** | Chief Executive  
Officer, NAIC, United States

**Else Bos** | Executive Director and Chair for  
Prudential Supervision, De Nederlandsche  
Bank N.V.



**Rakan Bin Dohaish**  
Member of the G20 Program at the Saudi Arabian Monetary Authority

Saudi Arabia is in the midst of a broad effort to transition to a low-carbon economy and reduce the dependence of the economy on oil production – creating significant investment needs to finance this transition.

Our health care system has benefited from substantive investment in recent decades from private and public sector.

The Kingdom of Saudi Arabia is implementing its Vision 2030. For insurance to be part of this Vision, we have the following goals:

- Intend to provide health care through public corporations both to enhance its quality and to prepare for the benefits of privatization in the longer term.
- Develop private medical insurance to improve access to medical services.

**“Emphasis on enforcing insurance regulations will also ensure further development and market growth”.**

- Reduce waiting times for appointments with specialists and consultants.

On April 24, 2017, the Council of Economic and Development Affairs (CEDA) launched ten delivery programs to realize Vision 2030. The most prominent of these programs is the Financial Sector Development Program (FSDP) that aims at developing the national economy and contribute to achieving the remaining VRPs. The FSDP’s role is to create a diversified and effective financial services sector to support the development of the national economy, diversify its sources of income, and stimulate savings, finance, and investment.

The FSDP will achieve this ambition by enabling financial institutions to support private sector growth, ensuring the formation of an advanced capital market, and promoting and enabling financial planning, without impeding the strategic objectives in-

tended to maintain the financial services sector’s stability.

The program will develop a sustainable and thriving insurance sector in Saudi Arabia. In so doing, it focuses on enhancing the existing regulatory environment to drive consolidation and strengthen balance sheet capacity. Emphasis on enforcing insurance regulations will also ensure further development and market growth.

As a regulator, we support the government to achieve its vision targets by setting a broad and deep ground to the insurance sector in addition to ensuring the stability and resilience of the insurance sector.

In terms of Infrastructure investment I would talk about mainly the opportunities and challenges as



follows which compromised through general discussion with Asset Managers:

#### Opportunities

- Provide long-term risk exposure, matching insurers' long-term liabilities.
- Offer higher yields than other traditional investments and monetize the illiquidity premium, which insurers could afford with their capital and liquidity capacity.
- Provide good diversification to investors with low correlation to traditional markets.
- To be supported by the regulators who offer a lower capital charge for infra equity and debt investments meeting certain criteria.

#### Challenges

- Limited supply of both infra equity and debt makes it difficult to deploy large AUM into infrastructure investments.
- From an ALM perspective, insurers traditionally invest more in Fixed Income, limiting further the potential capital volumes into infra equities.
- For Infra debt, the spread pick-up over corporate bonds with similar risk profile could be found unattractive due to supply/demand imbalance.

- Investors could also be deterred by the associated costs for infrastructure investments, namely due diligence, governance and reporting costs among others.
- Solvency 2's qualifying infrastructure criteria is another challenge in particular for European insurers. Lack of public rating and callable features further discourage investors when investing in Matching Adjustment portfolios.





**Jeremy McDaniels**  
Secretary, Sustainable Insurance Forum (SIF)

The 2018 Insurance Forum was an important occasion to advance discussions among supervisors, and with industry, on the critical role of the insurance sector in addressing new and emerging sustainability challenges – especially physical and transition risks arising from climate change.

At the global level, the **Sustainable Insurance Forum (SIF)** and the International Association of Insurance Supervisors clarified the relevance of climate change for supervisory practice through its 2018 Issues Paper on Climate Change Risks. At the Insurance Forum, the SIF Secretariat had the opportunity to share insights from its ongoing engagement with leading supervisory authorities working on climate risk issues.

The transition to a low-carbon economy presents a \$26 trillion-dollar investment opportunity – which can only be achieved with significant reallocation of capital by institutional investors, including insurance companies. Insurers’ risk management expertise can make a fundamental contribution to mi-

tigating physical climate change risks through both underwriting and investment behaviour – but this can only be truly effective if there are mechanisms in place to connect risk management and risk modelling expertise to investment decision-making. However, capital reallocation by insurers to low-carbon or “sustainable” investments may be constrained by the lack of appropriate investment options – which is most cases is beyond the mandate of supervisors to act upon.

In this context, there are many ways supervisors can collaborate – both internationally, and locally with market institutions – to create an enabling environment for sustainable investment. These include:

- Strengthening supervisory engagements with firms on climate change issues, including treatment of climate change risks within mainstream governance, risk management, underwriting & investment practices and functions,

**“Capital reallocation by insurers to low-carbon or -sustainable- investments may be constrained by the lack of appropriate investment options”.**

- Gathering information from market participants through surveys and consultations, in order to target supervisory activities.
- Examine regulatory frameworks to assess if barriers exist to the provision of new insurance products relevant for sustainable investment (i.e. sustainable infrastructure).
- Work with policy authorities to develop coherent strategies and frameworks to scale up sustainable investment.

The **SIF** would like to thank **SSN** for convening the Forum, and for the invitation to participate in its discussions.



Investment in infrastructure is a key contributor to sustainable economic growth, resilience, job creation, and prosperity. Therefore, improving our nation's infrastructure is an important concern for the United States, as well as members of the G20. This session was valuable in discussing both the perspectives of insurers interested in investing in infrastructure projects as well as the regulatory framework that enables long term infrastructure investments. The session emphasized the growing interest from insurance companies to directly invest in infrastructure projects and their role in promoting economic growth. In addition, the discussion focuses on the importance of promoting long-term and sustainable investment in infrastructure through regulation and the insurance regulators' role in responding to regulatory impediments that reduce the ability of insurers to invest.

These on-going global discussions concerning infrastructure investment are important in continuing to address the underfunding of infrastructure in many countries as well as the joint objective of balancing industry investment and the role of regulators.

We want to extend our thanks to the Ministry of Finance of Argentina and its Superintendence of Insurance for facilitating a successful dialogue between G20 insurance regulators, policymakers, and



**Michael Consedine**  
CEO - NAIC

**“We believe in the positive role of insurance and its significance in addressing the global challenges that are relevant to G20 members today”.**

stakeholders during the 2018 Insurance Forum. We believe in the positive role of insurance and its significance in addressing the global challenges that are relevant to G20 members today. For that reason, future meetings will not only benefit G20 leaders by providing insurance-based solutions to global problems but facilitate development in insurance supervision, legislation, and the insurance industry.

## The role of insurance in global policy discussions

Insurance companies play an important role in the real economy, for example as institutional investors and providers of income security through pension and life insurance products. Policy decisions affecting the insurance sector may therefore also affect the real economy. As a result, interaction and engagement with the industry is essential.

This takes place at different levels: national, regional and also global. The stakeholder meetings of the IAIS are a great example of the ongoing opportunities for global policy discussions between supervisors and the insurance sector.

### Highlights from the session

As mentioned before, interaction and engagement with the industry is very valuable in policymaking. A good example are the discussions on infrastructure investments. Globally, there is a growing demand for the insurance sector to engage in infrastructure investments. Although the sector is willing to play a larger role, actual implementation seems to be challenging. In 2018, the FSB evaluated the effects of financial reforms on infrastructure investments.



**Else Bos**  
Executive Director and Chair  
for Prudential Supervision //  
Nederlandsche Bank N.V.

## “More and better data and the build-up of expertise could help boost infrastructure investments”.

The evaluation states that although regulatory reforms may play a role in the availability and attractiveness of infrastructure investments, these are subordinate to other factors, such as for example the macro-financial environment and government policy. Insurance Forum participants recognized the general lack of suitable infrastructure investment projects, and especially of ones with a sustainable aspect, as a greater obstacle. Moreover, investments in infrastructure have proved challenging due to their complexity. More and better data and the build-up of expertise could help boost infrastructure investments.

### The Insurance Forum as a precedent for the future

Yes, the Argentinian authorities did a very good job in bringing together both insurance supervisors and the insurance industry. This joint presence was very valuable. As a supervisor, I got the chance to get a better understanding of the hot topics in the sector while the sector was able to gain more insight into current policy discussions.

Moreover, for me personally the Insurance Forum was a great opportunity to meet my international counterparts and broaden my network, after joining the Dutch central bank in June 2018.

As a result, I hope future G20 chairs will follow this example and continue to organize Insurance Forum meetings in the future.

### Highlight about the Insurance Forum

Despite the great variety of participants and the sometimes divergent views, participants, led by the Argentinian authorities, managed to bring the main takeaways of the meeting together in a concluding statement for the G20. The statement recognizes the evolving risks, challenges and opportunities around the globe and stresses the important role insurance can play in this context.

# Insurance 2.0: Facing a Digital Disruption

..  
G20 Regulators Summit

## MODERATOR

**Conor Donaldson** | Head of  
Implementation, IAIS

## SPEAKERS

**Hesham Tashkandi** | Advisor to the  
Governor & Director General of Insurance  
Control, Saudi Arabian Monetary Authority

**Michael Sicsic** | Head of Supervision,  
General Insurance, Financial Conduct  
Authority, United Kingdom

**Katharine L. Wade** | NAIC International  
Insurance Relations Committee Chair and  
Commissioner, Connecticut Insurance  
Department

**Gustavo Adolfo Araujo Caldas** |  
Technical Analyst and Deputy Coordinator at  
the Coordination of International Relations of  
Superintendência de Seguros Privados - SUSPEP.

**José J. Riesen Alvarado** | Superintendent  
of Insurance and Reinsurance of Panamá



**Katharine L. Wade**

NAIC International Insurance Relations Committee Chair and  
Commissioner // Connecticut Insurance Department

With the growth of innovative and new technologies impacting the insurance sector, the digital disruption session highlighted how regulators could work with InsurTech startups to see that industry benefits from technological opportunities as well as ensures consumers remain protected.

The session importantly discussed the desire and development of new technologies that can improve the business of insurance by more accurately pricing risk, meeting policyholder needs with more efficiency and less cost, and bringing insurance products to underserved populations.

A highlight of the discussion pointed out that the partnership between regulators and InsurTech startups is a balancing act to ensure innovative ideas come to market while still meeting the regulatory

standards that protect consumers. Further discussions concerning developing technologies in the insurance marketplace are of continuing importance, as technological advances and threats evolve and will need on-going dialogue on a global level.

We thank the Ministry of Finance of Argentina and its Superintendence of Insurance, on the success of the regulator and industry meetings during the G20 Insurance Forum 2018. Insurance is a crucial force in the growth of the global economy, contributes to the financial advancement of countries, and facilitates the globalization of insurance markets. We believe that the sector's inclusion in future G20 meeting agendas will be to the benefit of both G20 member countries and regulators and markets around the world. ■

**“Insurance is a crucial force in the growth of the global economy, contributes to the financial advancement of countries, and facilitates the globalization of insurance markets”.**

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**Gustavo Araujo Caldas**

Technical Analyst and Deputy Coordinator  
at the Coordination of International Relations  
of Superintendência de Seguros Privados  
// SUSPEP

Insurance has long been largely disregarded in global policy discussions, especially considering the role it has in assuring continuity of businesses and the wellness of hundreds of millions around the world, in addition to managing trillions of dollars in funds every year.

Maybe it's because it's a solutions provider rather than a problems generator!

It's time governments and other supervisory authorities truly acknowledge the importance of this business to the global economic stability and development, and more so considering the growing challenges currently faced by nearly all, if not all, economic sectors.

**“It's time governments and other supervisory authorities truly acknowledge the importance of this business to the global economic stability and development”.**

In light of that, the very first Insurance Forum connected to a G20 Presidency that the Argentinian government put together in 2018 is surely a landmark to be referenced in the future and a benchmark for the G20 Presidencies to come.

The three roles of insurance as holder of unique expertise in risk analysis, institutional investor and coverage provider put it in a prime position to deal with a world that is being shaped by climate-related issues and technological advances that are as much opportunities as threats. Insurance will more than ever be a necessity!

Therefore, its stakeholders need a forum that is close to the decision-making core of governments

where they can openly discuss their way forward and have their voice heard.

The Argentinian 2018 Insurance Forum was a step in that direction – let's hope it's just the first of a long and fruitful journey!

# Globalizing Business - the role of a global reinsurance market

..  
G20 Regulators Summit

## MODERATOR

**Guillermo Plate** | Deputy Superintendent,  
Superintendence of Insurance of Argentina

## SPEAKERS

**Manuela Zweimueller** | Head of the  
Policy Department, European Insurance and  
Occupational Pensions Authority (EIOPA)

**Roberto Novelli** | Head of the Secretariat  
Office and the Board of Directors, IVASS, Italy

**Mamiko Yokoi-Arai** | Principal  
Administrator and Head of Insurance,  
Organisation for Economic Co-operation and  
Development (OECD)

**Norma Alicia Rosas** | President, Insurance  
and Surety National Commission of Mexico  
(CNSF)

**Eric A. Cioppa** | NAIC President-Elect and  
Superintendent, Maine Bureau of Insurance

In order to achieve an inclusive, sustainable and efficient development it is crucial to consider the insurance industry. We know the risks we are – increasingly often – exposed to and in which way insurance and reinsurance are key elements for the mitigation of impacts and for the increase of resilience in our society.

The **Insurance Forum** highlighted the importance of the Industry for the challenges faced globally nowadays and the way in which insurance must be a key player in finding solutions. During the event, supervisors and the industry worked together as a unique sector in the context of international economy.

As a moderator of the panel “Globalizing Business, the role of a global reinsurance market” I would like



**Guillermo Plate**  
Deputy Superintendent, Superintendence  
of Insurance of Argentina

to highlight the key role of reinsurance in the mitigation of risks caused by natural and man-made disasters.

Our main challenge is to achieve balance and to guarantee that insurers properly manage their reinsurance, avoiding obstacles for the access to international reinsurance markets, with the benefits that a greater diversity brings to the system. To that end, we need to foster international cooperation sharing opinions and discussions among regulators, for a greater information exchange, with increasingly open and transparent markets.

To conclude, I would like to emphasize the reopening of the reinsurance market in Argentina as one

**“Our main challenge is to achieve balance and to guarantee that insurers properly manage their reinsurance, avoiding obstacles for the access to international reinsurance markets”.**

of the main ideas of this Administration. We are convinced that the growth of the industry and of the economy as a whole undeniably leads to the need of having international reinsurers operating in the country, for the international capital to provide more reinsurance capacity.



**Roberto Novelli**

Head of the Secretariat Office and the Board of Directors, IVASS, Italy

## The role of insurance in global policy discussions

As clearly emerged during the Insurance Forum the role of the insurance sector “in” and “for” the economy is -hopefully- supposed to grow, in order to tackle important challenges/opportunities. To name a few: reduce protection gaps (increasing longevity, natural events), build resilience and promote sustainable growth in our countries (high quality infrastructures, “finance for growth”).

There is an ongoing worldwide debate, with some peculiarities due to the specific nature of each area of the planet; the debate is intense in Europe in the context of the revision of the European prudential regime (Solvency II).

IVASS’ Chairman recently stated that “...the Solvency II review .... gives us the chance to strike a new balance between policyholders’ protection, a sound and prudent management of insurance companies, and the role the insurance sector is asked to play in supporting economic growth in our countries”<sup>1</sup>.

<sup>1</sup> [https://www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/att-sem-conv/2018/0110/Rome\\_1\\_10\\_18\\_SII\\_3rd\\_Conference\\_Rossi.pdf?language\\_id=3](https://www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/att-sem-conv/2018/0110/Rome_1_10_18_SII_3rd_Conference_Rossi.pdf?language_id=3)

Please find below the hyperlink video and documents related to our 3rd Conference on Solvency II where, to some extents, the role of insurance sector for/in the economy has been discussed: <https://www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/att-sem-conv/2018/0110/index.html>

## Highlights from the session

I would like to focus on some strictly prudential topics: reinsurance supervision, as part of the overall process of supervision over insurance and reinsurance undertakings, in the context of the IAIS’ guidance on reinsurance and other forms of risk transfer (ICP 13).

During the session I was asked:

**if there could be a risk of over-dependence on internal oversight of reinsurance arrangements, and if and when supervisors need to take a large role in examining companies’ reinsurance arrangements.**

I’d say no (over-dependence). The framework of rules and controls on risk management envisages a comprehensive system of **checks and balances** both within the undertaking and in the relations and information flows between insurance undertakings and supervisors.

In accordance with the provisions of ICP 13, under the Italian regulatory framework, reinsurance supervision is part of the overall process of supervision over insurance and reinsurance undertakings, with particular regard to governance, the internal control system and the risk management system.

It is the **responsibility of the board of directors**, taking account of the strategic objectives and consistently with the risk management policy, to approve the reinsurance policy and other risk mitigation techniques; the management choices made must be consistent with the policy adopted and any departures from such policy must be promptly reported to the administrative body; specific tasks are assigned to the actuarial function, which is required to express an opinion on the adequacy of reinsurance arrangements (I.e. effects of reinsurance on the estimate of the technical provisions net of the amounts recoverable from reinsurance, effectiveness of arrangements underwritten for the purpose of mitigating the volatility of own funds) both under normal conditions and under stress conditions (reinsurers’ default, potential exhaustion of reinsurance); additional information flows towards the supervisor are envisaged in case the undertaking has recourse to non-traditional reinsurance treaties, such as financial reinsurance or finite reinsurance (objectives and main features of the treaty, accounting procedures, economic and financial impact, possible relevance for the purposes of compliance with the requirements of prudential supervision). In the context of the ORSA, a specific description of risk mitigation techniques.

It is **our responsibility and power** to check the correct functioning of the system of governance and



risk management, including reinsurance and other risk-mitigation techniques, challenge the undertaking and its representatives on the adequacy/appropriateness of the reinsurance policy and its correct/effective implementation (i.e. actual and sufficient transfer of risk) and, where necessary, require corrective measures and monitor their implementation.

**The supervisor has a wide choice of tools available:** narrative and quantitative supervisory reporting (QRT - the EIOPA templates which reproduce almost in full the flow of data envisaged by the Italian legislation until the entry into force of Solvency II), specific information flows, requests for documents, inspections and/or meetings with the management, auditors, exchanges/cooperation with other supervisors involved in the supervision over the group and/or companies linked to the supervised undertaking or to the reinsurer (taking also account of the cross border nature of many reinsurance operations).

Moving to the second question (Do supervisors need to take a large role in examining companies' reinsurance arrangements), I would say It depends. The peculiarities of the national insurance market and/or the specific situation of the single insurers might be the key drivers.

## “It is our responsibility and power to check the correct functioning of the system of governance and risk management”.

In accordance with the principle of proportionality underlying the prudential framework of Solvency II (and our internal supervisory manual), the supervisor should play an increased role in those situations where the outcome of the overall supervisory assessment has highlighted critical issues regarding the financial position (gradual deterioration of the solvency position) or weaknesses in the governance system (for ex. in the actuarial or risk management function). Specific mention should be made of the **actual transfer of the risk**.

The prudential regulation fully recognizes the effects of the transfer of risks to the reinsurers and considers reinsurance as an integral part of the processes underlying risk management and the determination of the capital requirement.

In this context reinsurance may pursue the goal of optimizing capital requirements through the reduction of risks and may also have significant effects on the strategic management of own funds since it ge-

nerates capital “funding” alternative to the recourse to the financial market.

The strategic importance of reinsurance and of the other forms of risk transfer has aroused great interest from insurance and reinsurance undertakings and brokers, which are now offering on the market increasingly **innovative forms of reinsurance**. Those that have been examined by IVASS concern both life and non-life risks.

A key issue for reinsurance contracts is that **the transfer of the insurance risk may be calibrated to varying degrees, or there can even be no transfer at all**, according to the different contract terms.

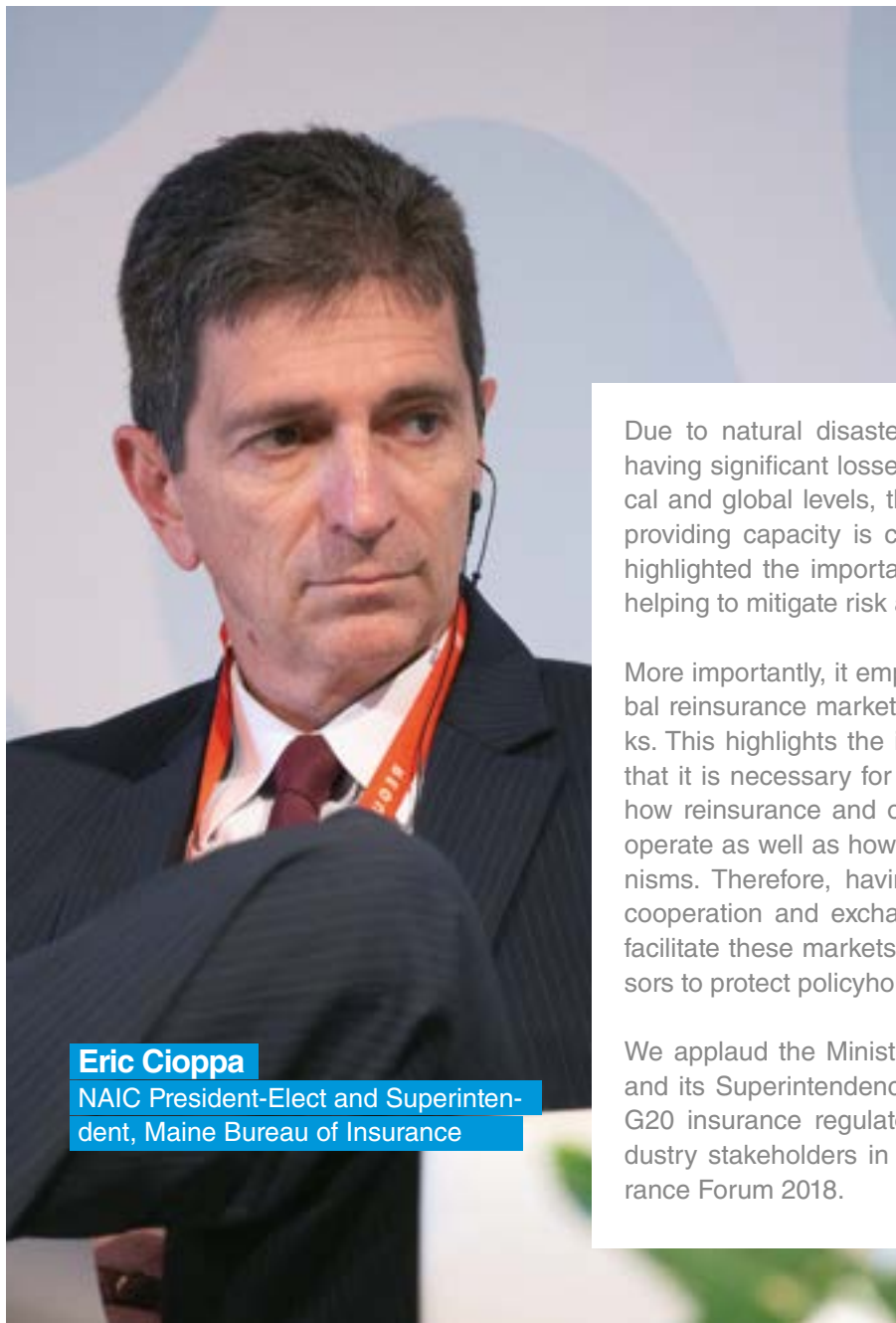
These tailor-made solutions are based on the specific risk profile of the single undertaking and therefore must be treated by the supervisor in the same way. **An in-depth examination, to be made on a case by case basis**, must be done in order to determine the actual transfer of the insurance risk and the relevant implications from a financial, organisational and accounting point of view.

For this purpose it is essential to examine in-depth the own-risk and solvency assessment (known as ORSA), the capital management policy, the medium term business plan and the liquidity plan.

Pursuant to the regulations in force, the conclusion of reinsurance treaties is not subject to a prior notification requirement, however undertakings and IVASS have felt the need to establish an **early dialogue** for the examination, on a case by case basis, of the more complex reinsurance treaties.

In some cases the proposed solutions have not been judged adequate to be used as a tool for the transfer of the insurance risk.

The technicality and the complex contractual arrangements raise also a question of **level playing field** in the treatment of these instruments as risk-mitigation techniques and, consequently, in the supervisory practices adopted in the various countries. In this framework IVASS has started an **exchange of information with other Supervisors**.



**Eric Cioppa**  
NAIC President-Elect and Superintendent,  
Maine Bureau of Insurance

Due to natural disasters and man-made events having significant losses and costs at both the local and global levels, the need for reinsurance in providing capacity is crucial. This forum session highlighted the important role reinsurance has in helping to mitigate risk and provide resilience.

More importantly, it emphasized that having a global reinsurance market helps to spread these risks. This highlights the importance of the event in that it is necessary for supervisors to understand how reinsurance and other forms of risk transfer operate as well as how insurers use such mechanisms. Therefore, having continued international cooperation and exchanges of information helps facilitate these markets and better allows supervisors to protect policyholders.

We applaud the Ministry of Finance of Argentina and its Superintendence of Insurance for hosting G20 insurance regulators, policymakers, and industry stakeholders in meetings during the Insurance Forum 2018.

**“This forum session highlighted the important role reinsurance has in helping to mitigate risk and provide resilience”.**

As the insurance sector plays a significant role in the discussions related to the political and economic problems that G20 members face as well as the development of the global economy, it is only logical that the insurance industry joins the discussion agenda of the G20. We believe that continuing international engagements, like the Insurance Forum, are essential for the development and benefit of the insurance industry and G20 members.





**Jonathan Dixon**  
 Secretary-General // International  
 Association of Insurance Supervisors (IAIS)

## Closing Remarks

As supervisors, we recognise that our principal objective is to **contribute to fair, safe and stable insurance markets for the benefit and protection of policyholders**. But increasingly supervisors are strengthening their voice in discussions on key global policy issues.

The Insurance Forum provided an opportunity to dive deeply into the crucial role of (re)insurance and protection of policyholders in light of evolving risks, challenges and opportunities around the globe, such as economic resilience, contributions to the real economy and promotion of sustainable growth, as well as supporting innovation.

Going forward, I am hopeful that the importance of insurance for furthering global policy goals under the G20 will continue to be recognised and that your efforts to position Insurance Supervision and the Insurance Industry as crucial contributors will find broad support.

**“The Insurance Forum provided an opportunity to dive deeply into the crucial role of (re)insurance and protection of policyholders in light of evolving risks, challenges and opportunities around the globe, such as economic resilience, contributions to the real economy and promotion of sustainable growth, as well as supporting innovation”.**





INSURANCE FORUM 2018 / ARGENTINA'S G20 PRESIDENCY





# Insurance Forum 2018



# EXECUTIVE COMMITTEE

Chairman

Adrián Werthein // Grupo Werthein.

Co-chairman

Alejandro Simón // Sancor Seguros

Co-chairman

Recaredo Arias // GFIA

Co-chairman

José Cardoso // IRB Brasil RE.

Co-chairman

Toyonari Sasaki // Life  
Insurance Association of Japan.

Chairman | **Adrián Werthein**,  
Shareholder // Grupo Werthein.



**Adrián Werthein** is a shareholder of Werthein Group, one of the most important locally-owned private holdings of Argentina, which is also directed and managed by members of the Werthein family. Between 1960 and 1970, the Werthein family started to play a part in the insurance business through a company called La Defensa Compañía de Seguros Generales, which was later sold, and through another one, called El Refugio Compañía de Seguros Generales. Likewise, in the early 1900s, Werthein Group acquired the state-owned company Caja Nacional de Ahorro y Seguro founded in 1915, through a privatization process. Later, together with the Italian Group Assicurazioni Generali, Werthein Group jointly managed the companies belonging to the Caja group: La Caja de Seguros, La Caja de Seguros de Retiro, la Caja Aseguradora de Riesgos de Trabajo, and La Estrella Seguros de Retiro; thus becoming the largest insurer group of Argentina. Adrián Werthein was the Chairman Presidente of La Caja de Ahorro y Seguro for twenty years, between 1994 and 2014. Now, Werthein Group owns 100% of the shares of Experta ART S.A., the

fourth company in the insurers ranking, having almost one million members and covering more than one-hundred thousand companies. In addition, the Group owns most of the shares of La Estrella S.A. Compañía de Seguros de Retiro, and it was one of the shareholders of Telecom Argentina, one of the largest telecommunications company of Latin America. Adrián Werthein is also shareholder and Vice-chair of Gregorio, Numo y Noel Werthein (GNNW), a group from the agribusiness sector. Mr. Werthein was also General Manager and Deputy Director of Banco Mercantil Argentino. In addition, he is the President of the Inter-American Council for Trade and Production (CICYT), President of the Latin American Jewish Congress and a member of the World Jewish Congress (WJC) Executive Committee. He is also a member of the Buenos Aires Stock Exchange Steering Committee and a member of the Board of Governors of the University of Tel Aviv since 1977. Mr. Werthein also held the Chair of Fundación Ineba (Buenos Aires Institute of Neurosciences) and of Grupo Joven de Campaña Unida Argentina - Grupo King David.



Co-chairman | **Alejandro Simón**,  
CEO Sancor Seguros

**Alejandro Simón** has an Actuary degree, Cum Laude from Universidad de Buenos Aires and a Professional Master's degree in Business Administration, Magna Cum Laude from IAE Universidad Austral.

Since 1998, he has been working for Sancor Seguros Insurance Group, currently holding the CEO position. He is President of ADIRA (Aseguradoras del Interior de la República Argentina, one of the main insurance associations in Argentina), President of the FISO Superior Council (Latin American Foundation of Security and Occupational Health) and member of the Geneva Association Board of Directors. He also presides over CITES (Centre for Technological, Business and Social Innovation), the main private incubator of startups in LATAM following the model "one stop-shop tech incubator". He is co-chair of the G20 Insurance Forum.

Before joining Sancor Seguros Insurance Group, he worked in the fields of risk rating and social security.

Since 2009, he has been Deputy Director of the Actuary career at Universidad of Buenos Aires (UBA). Likewise, in 2010 he became a member of the Academic Committee for the Master's Degree in Economic and Financial Risk Management for the School of Economics Graduate Studies Division (UBA). He has written several publications on the social security sector and taught national and international courses and seminars on insurance, reinsurance, actuarial science and social responsibility.



Co-chairman | **Recaredo Arias**,  
Vicepresident, Global Federation of  
Insurance Associations (GFIA) and  
General Director, AMIS

**Mr. Arias** holds a bachelor's degree in Business Administration from Universidad Nacional Autónoma de México (UNAM) and a M.B.A. specialized in Finance and Marketing from Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM).

Since the beginning of his career he has been involved in the financial sector, specifically in the insurance sector. He was General Director for the first time in AMIS from 1989 to 1992. Also, he was General Director in several finance and insurance companies like in Aseguradora Cuauhtemoc from 1992 to 1993, Deputy Director of Administration and Finance in Banca CREMI from 1993 to 1994, and General Director in Seguros La Territorial (nowadays Insurance QBE) from 1994 to 2001.

He came back once again as General Director in AMIS in 2003. AMIS represents the insurance companies at the authorities, public, private and social sectors and gives support to its associates to spread and promote insurance, whereby he had participated in NAFTA negotiations, achieved

implementation of Solvency II regulation among Mexican Insurers, proposed amendments to the CNSF in favor of Mexican insurers, as well as he participated on the negotiation of the new Mexican insurance law (LISF). Also, he has participated in the development of Microinsurance in Mexico and throughout LATAM, additionally he coordinated an IDB-FOMIN-MICROINSURANCE project in 6 countries including 10 insurance companies. In 2008 he was General-Secretary of the Federación Iberoamericana de Empresas de Seguros (FIDES) until 2010.

Besides that, he has been Vice-president of Global Federation of Insurance Associations (GFIA) since 2012, which is the main organization that represents the interests of insurers and reinsurers in 61 countries. Additionally, he chairs the Financial Inclusive Working Group.



Co-chairman | **José Carlos Cardoso**,  
President, IRB Brasil Re

**Mr. Cardoso** holds a Bachelor's degree in Mechanical Engineering from Mogi das Cruzes University (UMC), an Appraisal Engineering degree from the University of São Paulo (USP), and a post graduate degree in Occupational Safety Engineering from the Armando Álvares Penteado Foundation (FAAP).

Prior to IRB Brasil Re, he was president of SCOR Brasil, where he had technical and operational responsibility for reinsurance activities for all of Latin America, and before he was a Technical Director at Munich Re – Brazil.



Co-chairman | **Toyonari Sasaki**,  
Vice-Chairman, The Life Insurance  
Association of Japan

**Toyonari Sasaki** is the Vice Chairman of the Life Insurance Association of Japan, a trade association comprised of all life insurers operating in Japan. He also serves as an executive committee member of the Global Federation of Insurance Associations (GFIA), a trade body representing the interests of insurers and reinsurers in 60 countries through its 41 member associations.

He joined the LIAJ in April 2016 after devoting his career to public service for 40 years. Prior to the LIAJ, he served at the Cabinet Secretariat for 6 years, first as the Assistant Chief Cabinet Secretary for domestic affairs from 2010 to 2013, and then as the Chief Domestic Coordinator for the Trans-Pacific Strategic Economic Partnership Agreement (TPP) from 2013 to 2016.

As the Assistant Chief Cabinet Secretary for domestic affairs, he served under both DP (Democratic Party) and LDP (Liberal Democratic Party) administrations, playing a pivotal role in planning and coordinating key policies for the Cabinet. His background in the budget, tax policy and financial supervision enabled him to successfully coordina-

te the broad spectrum of interests across relevant ministries.

As the Chief Domestic Coordinator for the TPP, he oversaw the general coordination of interests ranging from ministries to domestic stakeholders. He participated in the TPP framework from the pre-negotiation stages to formal negotiations in close cooperation with the Chief Negotiator, and played a key role in reaching the agreement in principle on the TPP.

Prior to joining the Cabinet Secretariat, he served in the Ministry of Finance, where he gained strong expertise on the budget, tax policy and financial supervision, combined with all-around skills necessary to perform general coordination in the ministry. As the founding director of the Banks Division, he supervised commercial banks at the newly established Financial Services Agency, and played a key role in overcoming the domestic financial crisis, in particular by championing the write-off of nonperforming debt and restructuring of mega-banks to re-stabilize the financial system.

“This meeting constituted a milestone for the insurance sector”

**Adrián Werthein**

Shareholder // Grupo Werthein.  
Chairman, Insurance Forum.



## Building public policies

The 2018 Insurance Forum gathered together for the first time representatives of insurance markets from all over the world in Argentina in an event promoted by the Ministry of Treasury and organized by the Argentine Insurance Authority (SSN), with the objective of agreeing in the design of public policies.

The priorities chosen by the Argentine G20 presidency were the Future of Work, the Infrastructure for Development and a Sustainable Food Future. These were the main ideas directly connected to our Forum.

This meeting constituted a milestone for the insurance sector, an opportunity of dialogue. The conclusions were further used as pragmatic recommendations for the agenda of G20 presidents. Likewise, it constituted an opportunity to show the importance of the insurance industry, its capability of developing solutions and enabling financial resources for the Government and the companies.

We have created a precedent which will certainly last for years and this event will be repeated every year in the country hosting the G20.

I would particularly like to thank the other four co-chairmen: Alejandro Simon, CEO of Sancor Seguros; José Cardoso, president of IRB (Institute of Reinsurance of Brazil); Recaredo Arias, president of GFIA (Global Federation of Insurance Associations); and Toyonari Sasaki, Vice Chairman of the Life Insurance Association of Japan.



“We are opening our country to the world,”

**Lic. Guillermo J. Dietrich**  
Minister of Transport of Argentine Republic.

Is very nice to receive you here, in this special place, one of the beauty that we have in Patagonia. Bariloche is one of the favourite tourist destination in our country, both for Argentineans and for those who visit us every year, from all around the world. For a lot of you, perhaps, is the first time in our country, and there are a lot of very nice places to visit, and we hope you come back once and again.

Argentiniens choose to change. In 2015, the citizens of this country, decided for a deep change in Argentina. Because of that, Mauricio Macri was elected in 2015 and we began this government 3 years ago. And this conviction of change was reconfirmed last year in the mid-term election, where again we won that election. Since that moment in December 2015, we began a very deep transformation in our country. Argentiniens are working to have strong institutions, we are fighting strongly against corruption, with a free corruption policy. We have nowadays, an independent justice with completely freedom to work. We are opening our country to the world, tidying relations with most of the countries, working together, having a conversation and with a great support from the most important countries in the world. We have free press, and also, we began the most am-

bitious infrastructure plan of our history. We must recover our infrastructure, we must reduce the cost of our logistics, because this is a bottle neck for our development. We have a goal to construct twice as many highways, during these 4 or 5 years, as those constructed in the last 65 years. Nowadays, there are under construction almost 3.000 km of highways. We are constructing these roads with cost reductions of almost 50% of the cost that the State paid during the former government. We are recovering the freight railways. Argentina used to have one of the biggest freight networks one century ago. Nowadays there is under construction 16.000 tracks and we have a PPP programme for the construction of another 8.000 tracks. We launched the first P3 programme very successfully. This contract for UDS 6 billion was signed last 31st of July and the works are beginning in these days. We received offers from ten joint ventures, seven international companies, 32 offers for six concessions, 32 billion USD of offers.

We are improving public transport all around the country. We have a goal to duplicate domestic air passengers during these 4 years. Here also there is a big room of opportunity. Air companies from all



“All of these are very profound changes with which we intend to change Argentina into a more modern country, fairer and better integrated to the world...”

around the world are coming here, investing and introducing new air companies in our country. We are renewing most of the airports in all the country, land size and air size. We are modernizing our ports, reducing the cost of the ports, making better access for the tracks. We know we are one of the big grain exporters in the world.

Because of this, Argentina is a land of opportunity. I am convinced that the next 20 years will be the best two decades of our country. Because all of these are very profound changes with which we intend to change Argentina into a more modern country, fairer and better integrated to the world, and above all, a country with great opportunities, with great people, with natural resources, a young country.

There are a lot of opportunities, but also, in the role of the insurance companies as institutional investors. Insurance companies hold approximately 30 trillions of assets and their managements, making them one of the largest institutional investors in the world. Our challenge is to provide fair, stable and

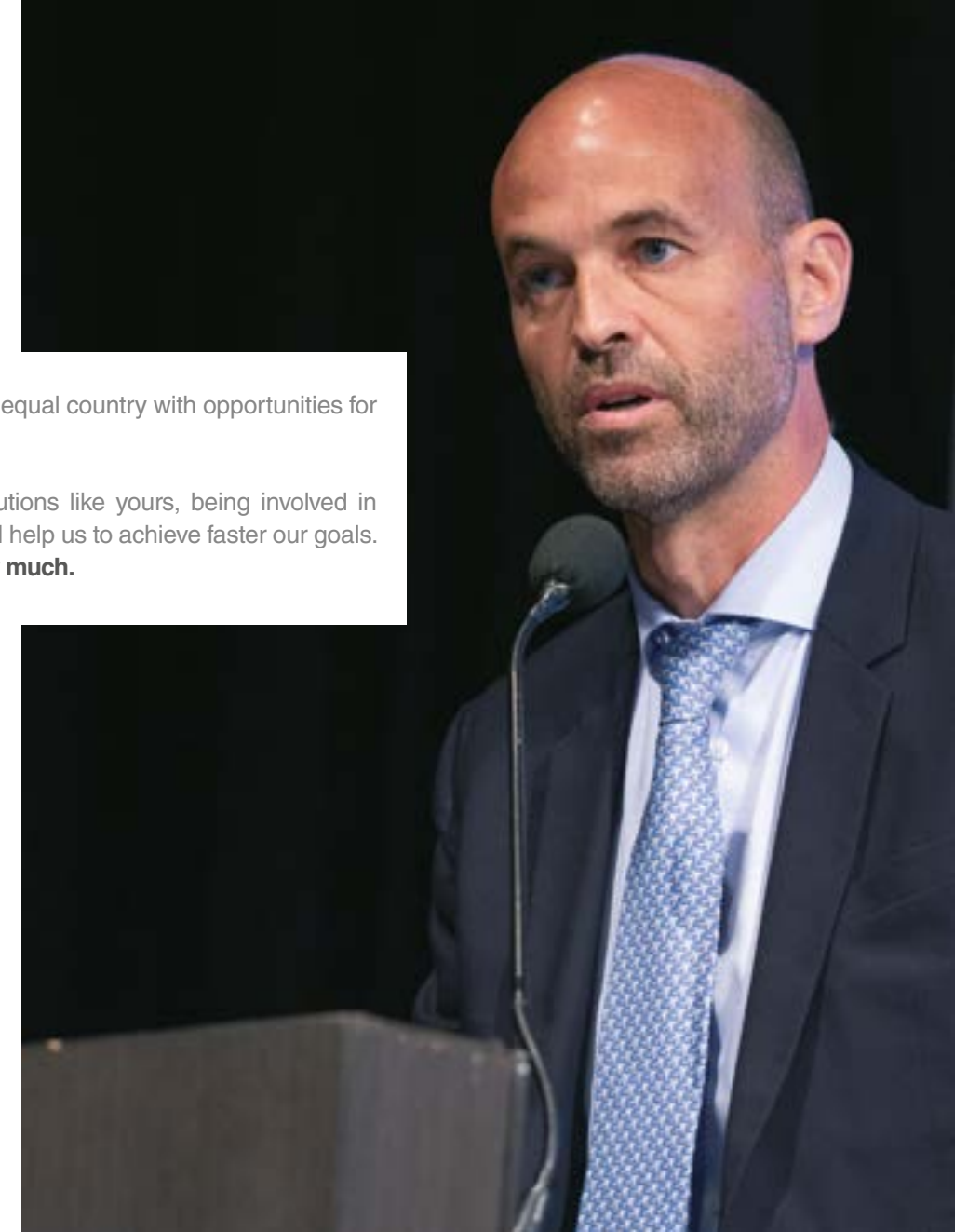
predictable legal frameworks and market friendly conditions, in order to guarantee that these investments are poured into the real economy in the long term, thus contributing to the development of our country, especially by reducing infrastructure gaps and create jobs.

Here in Argentina there are great opportunities for all of you. We see the government, the state as facilitator. And we have opening hands to receive you and to help you to develop your business in our country.

I want to finish again saying thanks for being here. A lot of you have travelled from far away from Argentina. I really appreciate that you are here in this moment, seeing with your eyes what is happening in our country, how is going this deep transformation. We know that we have big challenges ahead, but we are convinced that we are in the right direction, doing what is right, always following the rules of law, fighting against corruption and working to

develop a more equal country with opportunities for everybody.

Again, for institutions like yours, being involved in this process, will help us to achieve faster our goals.  
**Thank you very much.**



# Building Resilient Economies

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Insurance Forum 2018

## MODERATOR

**Jonathan Dixon** | Secretary-General, International Association of Insurance Supervisors (IAIS).

## SPEAKERS

**Rodney Lester** | Senior Advisor and Program Director, Non Bank Financial Institutions, The World Bank.

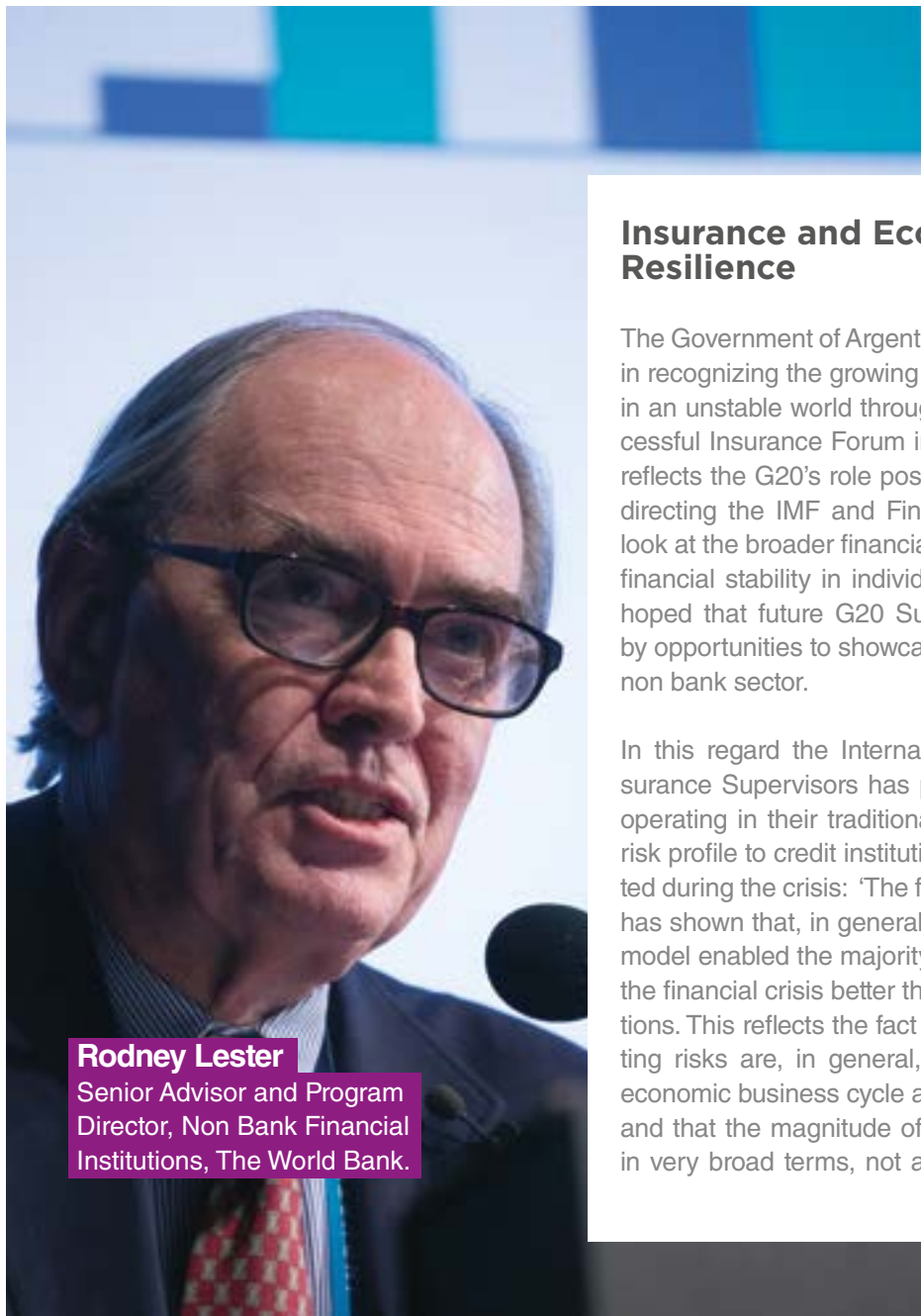
**Mike McGavick** | Deputy Chairman, AXA XL, a Division of AXA.

**Toyonari Sasaki** | Vice-Chairman, The Life Insurance Association of Japan (Co-Chair Insurance Forum).

**Girish Kulkarni** | MD&CEO, Star Union Dai-ichi Life Insurance.

**Shaun Tarbuck** | CEO, International Cooperative and Mutual Insurance Federation (ICMIF).

**Marcos Ayerra** | Chairman of CNV, the Argentine Securities & Exchange Commission.



**Rodney Lester**  
Senior Advisor and Program  
Director, Non Bank Financial  
Institutions, The World Bank.

## Insurance and Economic Resilience

The Government of Argentina is to be congratulated in recognizing the growing importance of insurance in an unstable world through the recent highly successful Insurance Forum in Bariloche. This in turn reflects the G20's role post the Great Recession in directing the IMF and Financial Stability Board to look at the broader financial sector when assessing financial stability in individual countries. It is to be hoped that future G20 Summits will be preceded by opportunities to showcase the importance of the non bank sector.

In this regard the International Association of Insurance Supervisors has pointed out that insurers operating in their traditional areas have a different risk profile to credit institutions and were less affected during the crisis: 'The financial crisis of 2008/09 has shown that, in general, the insurance business model enabled the majority of insurers to withstand the financial crisis better than other financial institutions. This reflects the fact that insurance underwriting risks are, in general, not correlated with the economic business cycle and financial market risks and that the magnitude of insurance liabilities are, in very broad terms, not affected by financial mar-

ket losses. Moreover, insurers' investment portfolios, which are selected largely to match the underlying characteristics of insurance liabilities, were able to absorb sizeable losses....'<sup>1</sup>.

**Why is this important?** Well, an economy's ability to absorb risk (including long term financial risks such as retirement) determines its capacity for innovation, and hence the ability to diversify. A diversified economy is more resilient and as a result has a more consistent growth path - a virtuous cycle. If we focus on external shocks the key source of resilience is flexibility – firstly flexibility in monetary, fiscal and exchange rate policy; secondly an institutional framework available to respond quickly and effectively –competent first responder organizations including EMAs and an independent central bank; thirdly efficient infrastructure including transport and communications, and finally a financial sector that can provide funds in a crisis as well as in normal circumstances. In terms of this last precondition the evidence is that insurers are a critical component of economic resilience:

- A substantial body of reviewed research on both rapid and slow onset natural disasters

<sup>1</sup> <https://forinsurer.com/files/file00400.pdf>

## “An economy’s ability to absorb risk determines its capacity for innovation, and hence the ability to diversify”.

shows that risk toolkits that do not include insurance lead to sub optimal economic performance. The main classes of insurance involved are property and business continuity insurance at the enterprise level, catastrophe coverages at the sovereign level and crop insurance, livestock insurance, health insurance and life insurance for the working poor.

- There is less research on funds flow disruptions arising from liquidity or business cycle disruptions – but there is recent evidence that strong long term investors including life insurers and pension funds at least maintained aggregate liquidity for bond markets in both the US and Europe during the 2008 financial crisis (although there was a rotation from the South to the North in the EU).
- In terms of direct insurance sector contribution to systemic risk the Geneva Association found

little cause for concern after a rigorous study<sup>2</sup> and the European Systemic Risk Board has determined that linkages between insurers and banks are not likely to be a major source of systemic risk<sup>3</sup>.

Cyber risk is an emerging third source of external economic shocks and it seems likely that cyber insurance will become an important macro resilience tool. Wired magazine has recently estimated that the NotPetya virus that closed down a number of major international firms- including major logistics operations - cost in excess of US\$ 1 billion. The cost to FEDEX's European operations is estimated at \$400 million and MAERSK suffered a similar loss – not to mention the disruption to their clients operations.

Unfortunately the international insurance market is facing a fundamental threat to its important roles in dealing with risk and supporting growth. This is the push for a short term VAR measure of solvency that is reliant on a discredited financial model, ignores the superior long term risk return characteristics of equities and other longer term asset classes and takes no account of the more resilient cash flow characteristics of well run insurers compared to credit institu-

tions<sup>4</sup>. The facts are that in the US from 2007 to 2016 there was only one calendar year (2008) when the insurance sector did not contribute to GDP growth, while the banking sector only contributed positively in 3 of those 10 years. The rate of impairment of insurers was also much lower during that period than of banks<sup>5</sup>.

The current short term solvency approach in EU countries has already seen life insurers moving away from long term guarantee products (despite the LTG measures in the Omnibus II package) and a recent politically driven weakening of solvency requirements for qualifying infrastructure investments. This latter move has proved to be somewhat futile due to lack of supply and the ability of insurers outside the EU regime to better take advantage of what is available.

The recent focus on activity based supervision and recovery/ resolution standardization offer more suitable pathways for insurance oversight and hopefully a less bank oriented solvency approach can be found as Solvency II undergoes review. Fortunately a number of the major emerging markets, while moving towards a risk based regulatory model, have decided to learn from the experience of more developed

<sup>2</sup> <https://www.genevaassociation.org/research-topics/financial-stability-and-regulation/insurance-sector-investments-and-their-impact>

<sup>3</sup> [https://www.esrb.europa.eu/pub/pdf/reports/2015-12-16\\_esrb\\_report\\_annex\\_2.pdf?750ed37e01e7916c87a28844f7531cbf](https://www.esrb.europa.eu/pub/pdf/reports/2015-12-16_esrb_report_annex_2.pdf?750ed37e01e7916c87a28844f7531cbf)

<sup>4</sup> see for example <https://econpapers.repec.org/paper/iiepbrief/pb15-5.htm>

<sup>5</sup> see <https://www.iii.org/sites/default/files/docs/pdf/insurance-driver-econ-growth-053018.pdf>

## “Cyber risk is an emerging third source of external economic shocks and it seems likely that cyber insurance will become an important macro resilience”.

markets and are taking pragmatic rather than overly theoretical approaches.

In terms of the larger economic picture the significant body of panel evidence now available and modern econometric methods strongly support the thesis that insurance supports inclusive economic growth. The transmission mechanisms are numerous and include risk transfer, signaling through risk pricing, the provision risk management services and the assurance of ongoing liquidity to long term asset markets – and in some cases to banks (for example insurers are significant purchasers of covered bonds in some markets). Insurance is the financial first responder – but its impact is much deeper - less capital needs to be held by households and industry, credit provision is freed up, and commerce, trade and innovation are facilitated. What little evidence is available at a more granular level, points to property, life and health as being the most important classes supporting short term growth, with motor possibly having a longer term impact.

However the development of a strong insurance sector is not guaranteed and is dependent on a wide range of factors. Some are baked in and cannot be changed in the short term if at all. However some can be addressed through policy – low inflation (inflation kills long term savings); healthy credit sources; an active capital market including a normal yield curve; enforceable property rights and honest courts; supportive tax policy; strong professional and management classes; compulsory social and general liability insurance; minimal state involvement – except possibly for flood and terrorism insurance; an appropriate solvency regime; the ability of the supervisor to intervene and remove weak players from the system; and a reasonable consumer protection regime. ■



**Mike McGavick**  
Deputy Chairman, AXA XL, a  
Division of AXA

The G20 Insurance Forum was a valuable step forward in addressing an increasingly urgent priority: creating more resilient economies – locally, nationally and globally.

We only need to scan the headlines to recognize the urgency of the topic and why we need to get after it. In today's highly inter-dependent and inter-connected world, events on any given continent can reverberate rapidly and widely. It was not so long ago, for instance, that the economic effects of a major earthquake would be confined mainly to the areas directly impacted by the tremors. Today, we read about catastrophes in “distant” lands with heavy hearts knowing of the immense human suffering of those on the ground and the economic effects not only on the local economy but also on countries and companies far removed from the destruction.

Importantly, however, these inter-dependencies also work in the other direction. While the financial consequences of a natural disaster are felt more widely today, a broader set of resources, capabilities and expertise also are available to help mitigate impacts. The challenge, of course, is effectively mobilizing these diverse assets to help build more resilient and sustainable economies.

Which is why events like the G20 Insurance Forum are so essential. By bringing together leaders from

## “Today, a broader set of resources, capabilities and expertise also are available to help mitigate impacts”.

government, multilateral organizations and the private sector, along with experts in public policy, law, science and related fields, the Insurance Forum provided an opportunity to discuss and debate the types of actions that can be taken collectively and individually to create greater resilience.

Since this was the first time the G20 explicitly examined the role of insurance in promoting growth and economic development, the discussions necessarily focused more on establishing a common understanding of the relevant issues and setting the agenda for future action. In this regard, I was highly encouraged by the emerging consensus around a number of critical topics including:

- **Parametric schemes:** How they can provide absolute clarity and certainty around what triggers insurance coverage while also being a cost-effective solution for sharing and mitigating a wide range of risks.

- **Frictional costs:** How they can impact the affordability of microinsurance products and the ways they could be reduced.
- **Innovations:** The opportunity to use new technologies, data sources and tools to develop a more granular understanding of a given location's exposure to natural catastrophes.
- **Opening up markets:** How the restrictions reinsurers face in some markets can impede the ability to spread risk globally and harness alternative sources of capital, including Insurance Linked Securities.
- **Knowledge sharing:** The opportunities for transferring the commercial P&C industry's knowledge and expertise in managing and minimizing risk, e.g., via more stringent building codes and adopting the concept of “build back better.”





**Toyonari Sasaki**  
Vice-Chairman, The Life Insurance  
Association of Japan (Co-Chair  
Insurance Forum)

The **Insurance Forum Argentina** was a significant milestone for the global insurance industry. We, The Life Insurance Association of Japan, have decided to hold another Insurance Forum on June 5 2019 in Tokyo, building on the legacy of Insurance Forum Argentina. I believe this best evidences the importance as a precedence.

In the session, I highlighted the impact of ageing based on our experience in one of the most aged society entering into “The 100-year life era.” In the ageing society, it is critically important that people are well-prepared for the risk of shortage of asset during their lifetime. While we are in transition to the increasing longevity era, every one of us has a possibility to become in need financially. That is why we must do something to prevent the discrepancy between one’s lifetime asset duration and lifespan.

In avoiding asset shortage, insurers are well-placed to help people in three key areas that I summarize as “three Ps,” namely preparedness, protection and prevention. All together, insurance has a unique characteristic to overcome shortage in lifetime asset.

For preparedness, insurance business has a literacy facilitation function by its nature, motivating individuals to be prepared. Creating their own financial

plan is one thing, but to understand the difference between their lifetime asset duration and lifespan, and to be prepared for it, is very important.

Protection is another thing. It is important to have appropriate insurance against any unexpected risks that may decrease one’s asset. This has long been the purpose of insurance, but its importance will be much greater in the coming years.

As for prevention, it is crucial to maintain good health to go as planned, so people need to be conscious to lead a healthy lifestyle. It is an organic development for insurers to provide incentives to their policyholders to be healthier, but it has broader implications on government finance and the well-being of the whole society.

It would be crucial to have policies or regulations which will support consumers make use of insurance easier and allow insurers to develop innovative ideas and sustainable business models. I strongly hope that the insurance industry draw a very strong attention on its contribution towards an energetic 100-year life era.

**“We, The Life Insurance Association of Japan, have decided to hold another Insurance Forum on June 5th 2019 in Tokyo, building on the legacy of Insurance Forum Argentina”.**



**Girish Kulkarni**

MD & CEO - Star Union Dai-ichi  
Life Insurance

### The role of insurance in global policy discussions

In the financial services space, insurance is associated with financial stability: securing both households and institutions against risk, as well as playing a role of an investor in economic growth. In today's economic landscape, the role of insurance as a medium of building fundamentally strong economies is an important aspect of global public policy. This is a key subject of discussion both for developed and emerging geographies, with exchange of learnings and experiences fundamentally useful in designing robust economic policy architecture. Moreover, as investors in economic progress, the interconnectedness of insurers with banks, global financial markets and other financial intermediaries is significant from a commercial, economic and risk management standpoint.

**“In today’s economic landscape, the role of insurance as a medium of building fundamentally strong economies is an important aspect of global public policy”.**

### Highlights from the session

‘Building Resilient Economies,’ as a topic of discussion has expanded, both in depth and breadth. The session covered it through multiple facets: security against catastrophic risks, managing the longevity paradigm and the role played by the industry in enhancing retirement income adequacy, challenges and steps taken by emerging economies learning from the success and mistakes of developed nations, environmental factors facilitating the reach and availability of insurance- topics which elicited rumination from policy-making and execution standpoints. The intelligence brought by representatives of multiple geographies and varied backgrounds ensured exchange of an exhaustive set of viewpoints, which was a good takeaway for participants of the session.

### The Insurance Forum as a precedent for the future

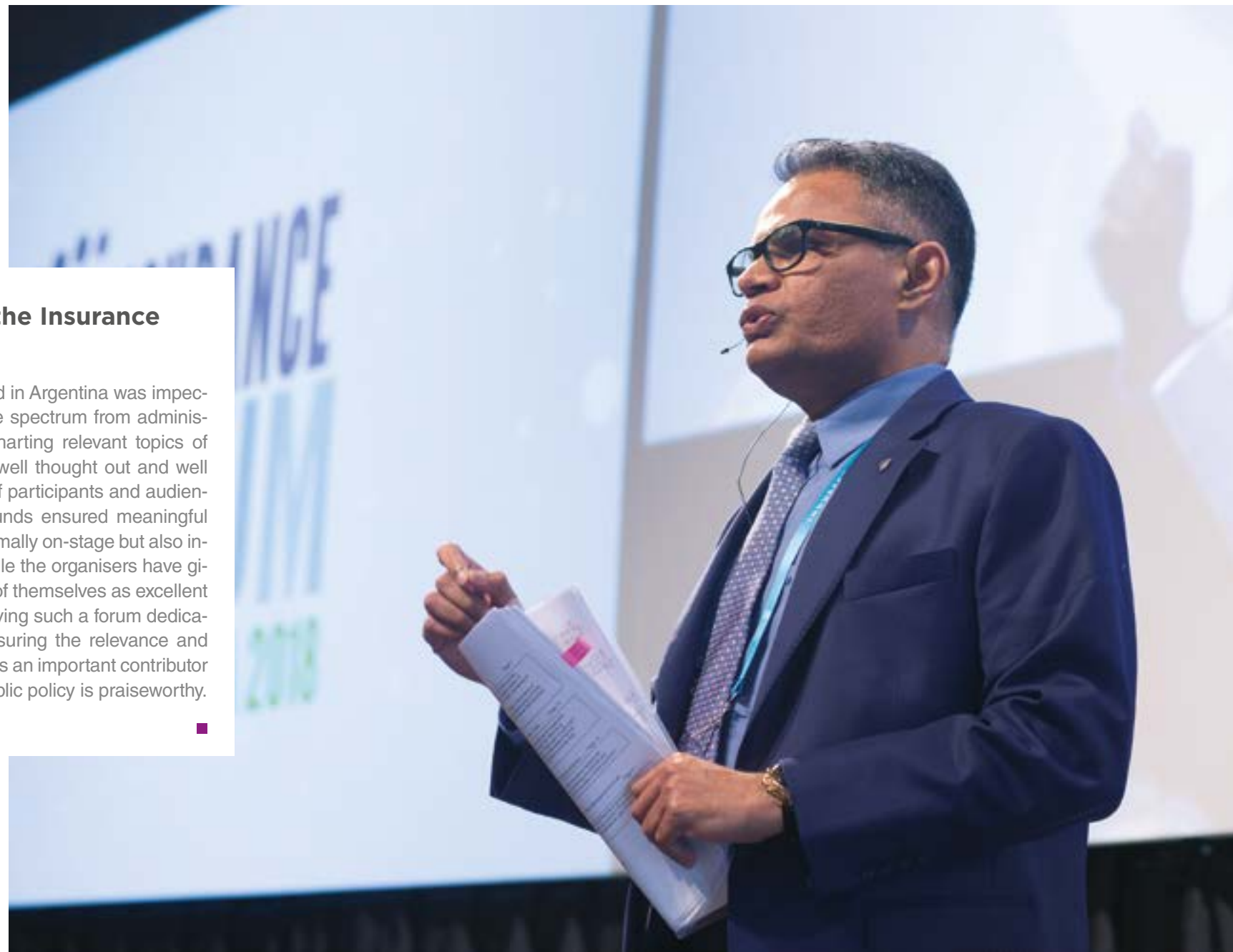
Being the first of its kind, the Insurance Forum brought to discussion critical subject matters for present and future- both immediate and long term- for all stakeholders to consider and act upon. The sector is a key participant in shaping the global economy and the responsibilities of policy makers, industry practitioners and regulators were all discussed covering wide-gamut of issues. This may be seen as a much needed robust start, with such platforms emerging as an important contributor to future economic summits as well.

**“The sector is a key participant in shaping the global economy and the responsibilities of policy makers, industry practitioners and regulators were all discussed covering wide-gamut of issues”.**

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#### **Highlight about the Insurance Forum**

The Insurance Forum held in Argentina was impeccably managed: the entire spectrum from administrative management to charting relevant topics of discussion were all very well thought out and well executed. Congregation of participants and audience from diverse backgrounds ensured meaningful conversations not only formally on-stage but also informally off it. All in all, while the organisers have given a very good account of themselves as excellent hosts, the very idea of having such a forum dedicated to insurance thus ensuring the relevance and importance of the sector as an important contributor to world economy and public policy is praiseworthy.



# Food Security and Agricultural Issues

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Insurance Forum 2018

## MODERATOR

**Dario Werthein** | Grupo Werthein  
shareholder and Vice-President, Experta ART

## SPEAKERS

**Nikhil da Victoria Lobo** | Regional Leader  
(Americas) and Managing Director (Global  
Partnerships), Swiss Re

**Graham Clark** | CEO, Asia Affinity  
Holdings Ltd.

**Rowan Douglas** | Head of Capital,  
Science, & Policy Practice, Willis Towers  
Watson

**Santiago del Solar Dorrego** | Chief of  
Cabinet, Ministry of Agribusiness



## The role of insurance in global policy discussions

Insurance industry can play a strategic role in addressing global challenges. We aim to achieve a tangible contribution to global policy making. An open dialogue on global challenges cannot be fully addressed without the voice of the insurance sector.

The Insurance Forum issues declarations that consolidate the main conclusion emerging from our discussion. These declarations are conveyed to the Finance Track leaders of the G20 and subsequently to the G20's presidents.

## Highlights from the session

Agricultural Development plays a major role in improving food security and nutrition (FSN) by increasing the quantity and diversity of food as a driver for economic transformation, and because agriculture is the main source of income for a majority of those who live in the most extreme poverty.

Risk is an inherent feature of agriculture around the globe. The ever-present uncertainties in weather, yields, prices, government policies, global markets, and other factors can cause high volatility in farm income. In developing countries, smallholder far-



**Darío Werthein**  
Grupo Werthein shareholder  
and Vice-President, Experta ART

mers often do not have access to risk management products such as insurance to protect themselves from shocks.

The insurance industry is on the forefront of understanding the global risks related to climate change, natural disasters, and lack of food security. Insurers are turning the world's attention toward the protection gap—the difference between actual economic and insured losses.

Presently, 70 percent of economic losses from natural hazards remain uninsured and in middle/low-income countries the uninsured proportion of economic losses often exceeds 90 percent.

In response, rather than relying on old underwriting models that are increasingly stressed, many insurers (which most of them are members of this panel) are thinking forward, promoting a radical rethinking of underwriting practices, encouraging the industry to shift capital flows into climate-resilient assets and resilience-enhancing investments.



**“The insurance industry is on the forefront of understanding the global risks related to climate change, natural disasters, and lack of food security”.**

### The Insurance Forum as a precedent for the future

The Insurance Forum plays a key role as a catalyst for the ideas and interests of the global insurance industry.

The Insurance Forum and subsequent follow-ups that will take place in the framework of the G20 meetings to be held in Japan and Arabia. We trust this initiatives will be a historical milestone for insurance industry.

### Highlight about the Insurance Forum

For its ability to develop solutions and as a catalyst of financial resources for businesses and enterprises, the insurance sector has a fundamental value. For this reason, for the first time in history, an event dedicated exclusively to the insurance sector and

sponsored by the Ministry of Treasury of Argentina was held as side event of the G20: **THE INSURANCE FORUM 2018.**

We highlighted the voice of the insurance sector so that together with governments we can work for the common good of our societies, positioning the insurance sector as a unique and distinct part in future G20 events and giving the insurance industry a channel of communication with the leadership of the G20.

Destacamos la participación del sector de los seguros para que, junto con los gobiernos, sea posible trabajar por el bien común de nuestras sociedades, por medio de otorgarle a este sector un lugar preferencial como parte única y distinta en los eventos del G20 que tengan lugar en el futuro y darle a la industria de los seguros un canal de comunicación con los líderes del G20.

■





**Nikhil da Victoria Lobo**  
Regional Leader (Americas)  
and Managing Director (Global  
Partnerships) // Swiss Re

### The role of insurance in global policy discussions

Insurance is a powerful policy tool to help make society more resilient. It does this by putting a market based price on risk, by providing critical funding for reconstruction, and by incentivizing preparedness. Insurance tools also reduce dependency on costly post-disaster debt therefore diversifying the range of macro-economic instruments policy makers have at their disposal.

### Highlights from the session

The frequency and severity of weather events, driven especially by climate change is an existential threat to the economic viability of nations. No sector bears this burden more acutely than agriculture – from small farmers who face hardship from volatile crop yields, to governments that must incur painful fiscal adjustments when harvests fail.

**“The most striking element of the Insurance Forum was the broad range of public and private stakeholders that participated allowing for a robust dialogue and interchange of ideas”.**

Understanding the importance of proper risk management is key for the agriculture sector worldwide, especially in countries where a large portion of the population still earns a living from agricultural activities. Insurance could be part of the answer to face these hazards as it provides the agriculture sector tangible tools to assess risk, conduct long-term financial planning and support innovation.

### The Insurance Forum as a precedent for the future

The Insurance Forum has helped global leaders better recognize the important role insurance can play to make society more resilient. Many emerging markets face immense challenges recovering after natural disasters which have long lasting negative impacts, such as increased poverty, income inequality and lower economic growth. Insurance is a natural and tested response mechanism to pre-plan against such catastrophes and therefore the G20 leaders would greatly benefit having the industry at

the table as they look for new ways to achieve long-term economic prosperity and equality.

### Highlight about the Insurance Forum

The most striking element of the Insurance Forum was the broad range of public and private stakeholders that participated allowing for a robust dialogue and interchange of ideas. Having convened these stakeholders under one roof, the G20 therefore accelerated the journey that will ensure that the insurance sector will play a crucial part in supporting the long-term financial stability of all nations. ■

# Promoting Long-Term and Sustainable Investment in Infrastructure

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Insurance Forum 2018

## MODERATOR

**Recaredo Arias** | Vicepresident, Global Federation of Insurance Associations (GFIA) and General Director, AMIS (Asociación Mexicana de Instituciones de Seguros) (Co-Chair Insurance Forum)

## SPEAKERS

**Toshiaki Sumino** | President & CEO, DLI (Dai-ichi Life Holdings) North America

**Juan Pazo** | Superintendent of Insurance, Argentina

**Antonio Cassio dos Santos** | CEO, Southern Europe & Americas, Generali

**Dorian Grey** | President, Latin America Region, Starr Indemnity & Liability Company

**Anna Maria D'Hulster** | Secretary General, The Geneva Association



### The role of insurance in global policy discussions

Despite institutional investors around the world having \$80trn in assets under management. Insurers account for almost a third of that total — \$26trn. With \$4.6trn to invest annually and mostly long-term liabilities

In several jurisdictions, policymakers have developed tools aimed at fostering private investment in infrastructure.

The regulatory environment, including prudential rules for the industry, creates barriers to infrastructure investment in several jurisdictions. Similarly, there are growing concerns at global level around the development of the global Insurance Capital Standard, and any unintended consequences for insurers' ability to invest. Given the key role that insurers play in such investments, supervisors, regulators and standard setters should assess the

#### Recaredo Arias

Vicepresident, Global Federation of Insurance Associations (GFIA) and General Director, AMIS (Asociación Mexicana de Instituciones de Seguros). Co-Chair Insurance Forum.

**“Insurers have a natural interest in long-term/illiquid assets, such as infrastructure, that can match their liabilities”.**

extent to which regulatory proposals support (or hinder) insurers' investment potential.

### Highlights from the session

Insurers have a natural interest in long-term/illiquid assets, such as infrastructure, that can match their liabilities. Insurers are looking for alternative investments in the context of the low interest rate environment, as they have a duty to policyholders to search for yield. Insurers are looking to diversify their portfolios.

### The Insurance Forum as a precedent for the future

I had the honour of moderating a session on promoting long-term and sustainable investment in infrastructure. I believe the Forum and the statement transmitted afterwards to G20 Finance Ministers is a positive step towards increasing the awareness of G20 leaders and the Financial Stability Board about

the fundamental role of efficient risk transfer and the opportunities that partnership with insurers can provide in meeting societal needs. I look forward to Japan continuing this.

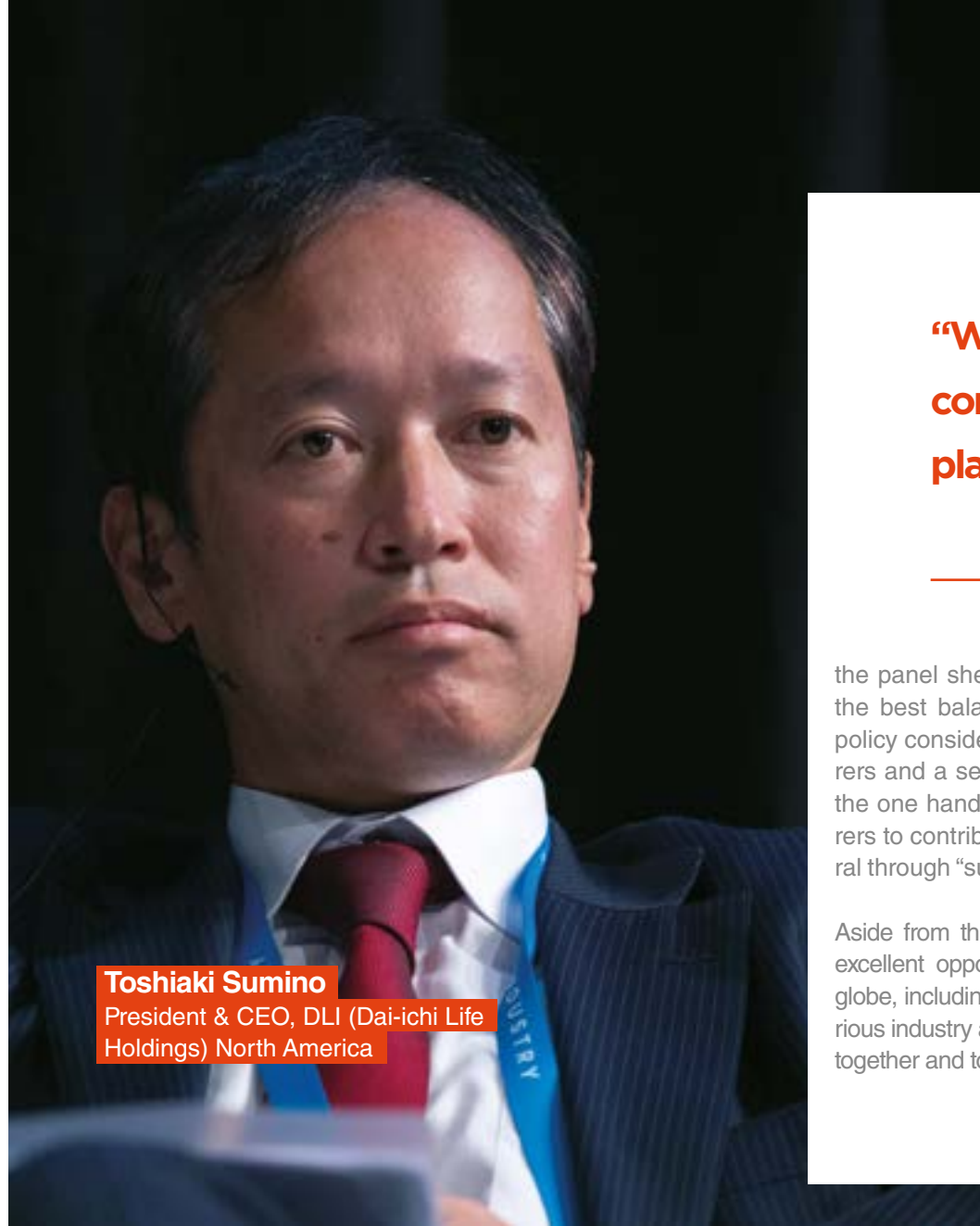
### Highlight about the Insurance Forum

It was the first time that the Insurance Industry had a slot/forum in An international G20 event. I am delighted that this happened and hope that Japan, and next G20 presidencies, will continuing to do so.



It was a great pleasure for me to attend the Insurance Forum 2018, and to join the panel on “Promoting long-term and Sustainable Investment in Infrastructure.” I believe this was exactly the right theme to be discussed at such an occasion. Discussion among the panelists, whose backgrounds and organizations they represented were very much diverse, started from how insurance industry can play a role in efforts to establish resilient global economy, and particularly in long-term infrastructure investments. We could unanimously reconfirm that insurance companies, with long-dated liabilities by nature, can play a significant role in infrastructure investments.

Suggestions and implications for further facilitation of such initiatives, as pointed out by many panelists, including need for data collection, removal of any disincentives in respective capital regimes, and governmental support mechanism, should be noted by all attendees at the Forum. In addition,



**Toshiaki Sumino**  
President & CEO, DLI (Dai-ichi Life Holdings) North America

**“We could unanimously reconfirm that insurance companies, with long-dated liabilities by nature, can play a significant role in infrastructure investments”.**

the panel shed light on the need to rethink about the best balance between sometimes conflicting policy considerations; financial soundness of insurers and a set of regulations associated with it on the one hand, and mission and capability of insurers to contribute to society and economy in general through “sustainable finance” on the other hand.

Aside from the panel, the Forum itself provided an excellent opportunity for all participants across the globe, including insurance companies, regulators, various industry associations, and consultants, to gather together and to exchange information and opinions.

I am convinced that Insurance Forum 2018 in Bariloche, Argentina was a significant step for the global insurance industry to demonstrate its mission and willingness to contribute to the social good worldwide. I highly appreciate all the efforts and devotion made by people engaged in organizing the event, and hope that this move would continue to evolve going forward, 2019 in Japan and onwards.

# Insurance 2.0: Facing a Digital Disruption

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Insurance Forum 2018

## MODERATOR

**Pilar Gonzalez de Frutos** | President,  
UNESPA (Spanish Association of Insurance  
and Reinsurance Institutions)

## SPEAKERS

**Luis Enrique Bandera** | President,  
Federación Interamericana de Empresas de  
Seguros, FIDES

**Claudia Dill** | CEO, Latin America, Zurich

**Bernard Spitz** | President, French  
Insurance Federation (FFA)

**Julie McPeak** | NAIC President and  
Commissioner, Tennessee Department of  
Commerce & Insurance

**Romain Launay** | Group COO, SCOR

**Eduardo Martelli** | Secretary of  
Administrative Modernization, Argentina



**Pilar González de Frutos**  
President, UNESPA (Spanish Association  
of Insurance and Reinsurance Institutions)

It was a pleasure for me to be present in the 2018 Insurance Forum as the moderator of its panel on Insurance 2.0. It was, as well, an invaluable opportunity to be conscious of the unlimited future that global insurance industry has ahead.

The panelists, chosen amongst those of more expertise in a so crucial issue as is digitalization, conveyed to all of us opinions and analyses with the highest added value. I think that, through this, Insurance Forum demonstrated its role as an open discussion forum, made of the best experts in each issue. The goal of Insurance Forum is mainly the future, and how it affects the present. I see this forum as an opportunity to make contact with the state of the art in several matters related to insurance, and

**“The really important thing is not to know what is going to happen, but to be able to react when it happens”.**

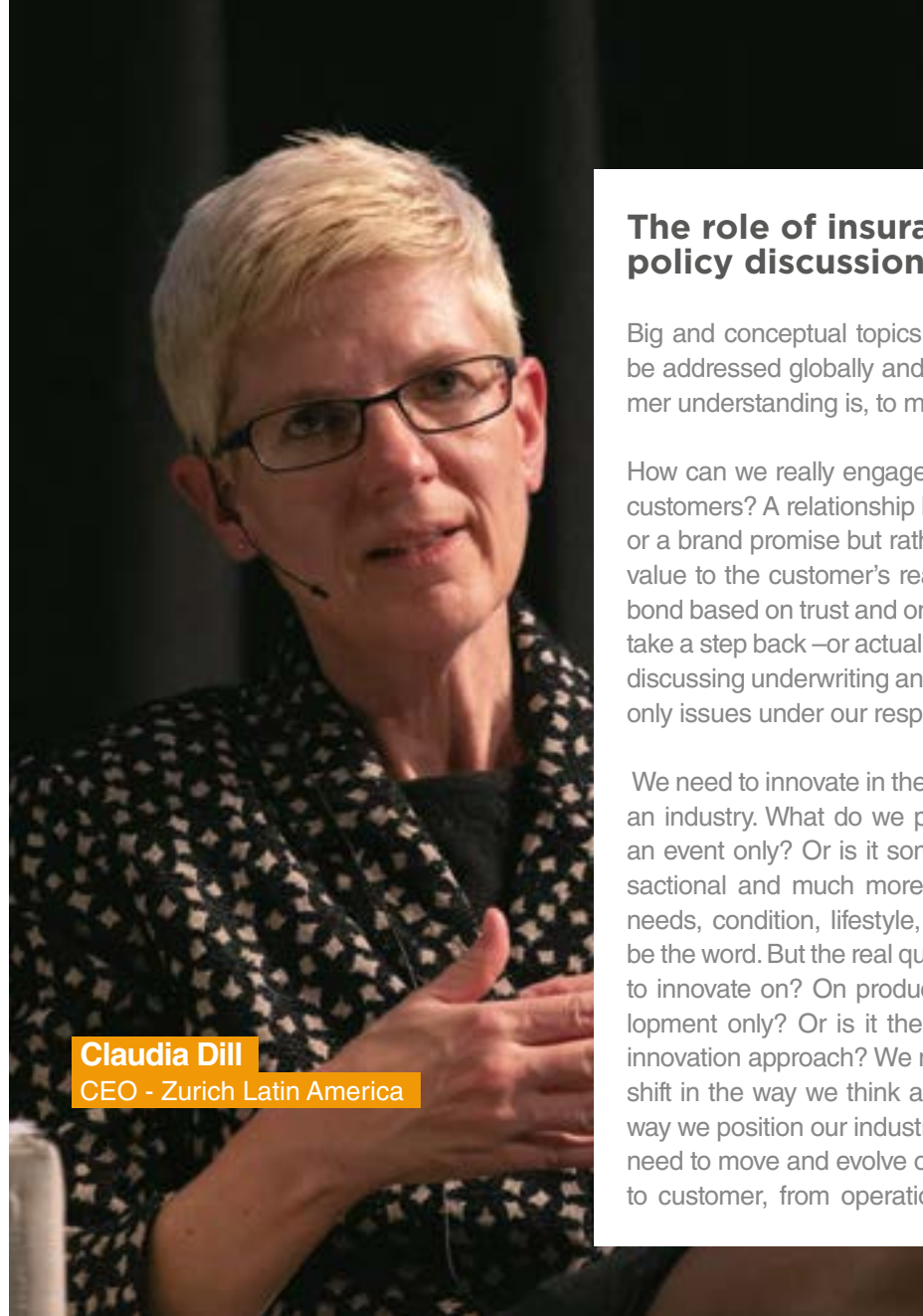
to discuss strategic options about how to cope with new environments and their tasks.

This can be easily stated about the whole meeting, but was of special importance in the case of digitalization. This is so because digitalization it is something that is partly happening already, but will basically occur in the future, which means that insurers, regulators and supervisors need to have a clear idea of its consequences. We have to be imaginative, to open our minds, and the Insurance Forum made its work precisely as mind opener.

One thing I think was made clear during our discussion was this: we do not have to obsess ourselves with the task of knowing how the future is going to be. The really important thing is not to

know what is going to happen, but to be able to react when it happens. Probably nobody has today the capacity to watch ahead and describe how our lives, and our tasks and tools as insurers, will be in twenty or thirty years.

However, the discussion allowed us to understand that this lack of knowledge is not problematic. The real problem for insurers will come the day they lost their ability to stick to reality, and be able to react to new environments. A core message that I think is embedded to this Insurance Forum DNA.



**Claudia Dill**  
CEO - Zurich Latin America

## The role of insurance in global policy discussions

Big and conceptual topics and matters that need to be addressed globally and by all key players. Customer understanding is, to me, the most relevant one.

How can we really engage in a relationship with our customers? A relationship based not only on a policy or a brand promise but rather on a service that adds value to the customer's real and changing needs. A bond based on trust and on added value. We need to take a step back—or actually a step forward—and stop discussing underwriting and risk management as the only issues under our responsibility.

We need to innovate in the way we see ourselves as an industry. What do we provide? Protection before an event only? Or is it something deeper, less transactional and much more linked to the customer's needs, condition, lifestyle, etc. Innovation seems to be the word. But the real question is what do we need to innovate on? On product underwriting and development only? Or is it the result of a much deeper innovation approach? We need a clear and dramatic shift in the way we think about ourselves and in the way we position our industry in the current world. We need to move and evolve our approach from product to customer, from operations to services and from

**“We need to move and evolve our approach from product to customer, from operations to services and from protection to prevention and mitigation. This is a conceptual and fundamental change that the industry needs to undergo to remain relevant and in effect”.**

protection to prevention and mitigation. This is a conceptual and fundamental change that the industry needs to undergo to remain relevant and in effect.

## Highlights from the session

Digital disruption and building resilient economies were two main topics that were very well addressed by the different panellists. Also, the panel that I had the pleasure to join in (Facing Digital Disruption. The future of Insurance.) was also a very good platform to start discussing the issues and themes that really matter, such as the ones mentioned above.

There was also a common understanding that protectionism is not the best way to foster the development of our sector. And that both protectionism and populism are clear symptoms of not enough people having access to services and goods and that something needs to be done in that sense. Something needs to change so that social and economic growth is not just a possibility for just a few.

## The Insurance Forum as a precedent for the future

I think it has. We need to continue discussing themes and issues that we have in common, as I men-



tioned above. Regulation. Customer understanding. Product and service innovation development. Transparency. And many other topics that are relevant to our industry and specially to our customers and business partners. It was also pretty clear that insurance plays a critical role in the development of society at large. There's a clear social role of what we do that needs to be further highlighted. Insurance provides certainty in an uncertain world. It helps social mobility as it creates the basis for savings and protection of the growing middle class, that it is clearly seen in Latin America.

### Highlight about the Insurance Forum

The amount of people that joined the meeting. It was remarkable. A good balance of industry representatives and regulators. Also, the lively spirit of the audience who seemed to have enjoyed both the content of the forum as well as the beauty of the surroundings and the excellent service we received from the organization. It all seemed to fit very well.





**Romain Launay**  
COO // SCOR

## insurance is/can be in global policy discussions?

Through committed and collaborative efforts, insurance has the potential to provide solutions to the largest and most important challenges that the world is currently facing.

Global warming is expected to increase the frequency and intensity of natural disasters, which will call for robust insurance coverage, particularly for populations in the most vulnerable regions of the world.

These changing weather patterns, combined with the world's increasing population, will put pressure on agricultural production and raise concerns about food security. Insurance can help farmers withstand the consequences of bad crop seasons by providing the funding necessary until better crops are harvested.

As healthcare costs will represent an increasingly greater share of the world's GDP, insurance will be instrumental in helping government find lasting solutions to combat the significant pressure on fiscal policy. The world's ageing population will also result in new needs for long-term care and without insurance, governments will lack the necessary finan-

cing for these needs. These are but a few examples of topics in which insurance has a leading role to play in driving discussions between governments, regulators and industry players.

## Highlights from the session

The panel discussion "Insurance 2.0: Facing Digital Disruption" provided a fascinating look into how societies are advancing.

The actions implemented by the Argentinian government to digitalize their public services were particularly impressive. Having served in the administration of my own country during the past decade, I know first-hand how challenging it can be to drive such a cultural change.

## The Insurance Forum as a precedent for the future

The new format inaugurated by the Insurance Forum is highly relevant. Coordinating the event with a G20 meeting sends a strong signal that insurance belongs on the agenda of all world leaders, given that it can offer solutions to some of their biggest challenges. I sincerely hope that the Insurance Forum continues its valuable actions

**"The actions implemented by the Argentinian government to digitalize their public services were particularly impressive".**

and keep up the positive momentum that it has created.

## Highlight about the Insurance Forum

Through its in-depth discussions and the allotted time for informal talk between sessions, the Insurance Forum enables participants to create lasting bonds. The coming-together of industry representatives, Government officials and regulators is exactly what is needed to drive global policy forward. ■



**Luis Enrique Bandera**  
President, Federación Interamericana  
de Empresas de Seguros, FIDES

The insurance activity fulfills an irreplaceable role in the world. Thanks to the protection granted to individuals, families and businesses, all activities can be developed, generating continuous growth. Insurers are one of the main institutional investors in the world. With their reserves and own capital, they finance people, companies and states in short- and long-term investment projects. That is why they are global and relevant actors at the time that governments and the private sector design long-term development policies.

In the sessions of the Forum organized by the Ministry of Finance and the Superintendence of Insurance of Argentina, crucial issues related to the construction of resilient economies were addressed; aspects of agricultural development and its importance in providing the necessary food for the world's population; investments in infrastructure and the contribution that insurers can make in the growth of countries; digital disruption, panel in which I had the honor of participating along with prominent speakers and the role of reinsurers in a global market.

This is the first time that the global insurance sector participates in the framework of a G20 event. This fact is not only remarkable, but it constitutes, in my opinion, one of the most relevant insurance events

**“Insurers are one of the main institutional investors in the world. With their reserves and own capital, they finance people, companies and states in short and long-term investment projects”.**

in recent decades. The Forum allowed us to share presentations, proposals and future plans to more than 300 members of the insurance world for two and a half days. Participants from the private and public sectors represented by the supervisors of various countries. Go the FIDES congratulations to Superintendent Juan Pazo.

We hope that this event constitutes the beginning of a permanent participation and collaboration of the global insurance industry with the countries and relevant topics in each of the future meetings of the G20.



# Globalizing Business: the role of a global reinsurance market

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Insurance Forum 2018

## MODERATOR

**Eric A. Cioppa** | NAIC President-Elect and  
Superintendent, Maine Bureau of Insurance

## SPEAKERS

**José Carlos Cardoso** | President, IRB  
Brasil Re (Co-Chair Insurance Forum)

**Anja Biendarra** | CEO, Munich Re Bogotá,  
Munich RE's Regional Centre South America

**John M. Huff** | President & CEO,  
Association of Bermuda Insurers & Reinsurers

**Alejandro Simón** | CEO, Sancor Seguros  
(Co-Chair Insurance Forum)

**Francis Bouchard** | Group Head of  
Communication and Public Affairs, Zurich

**Jonathan Dixon** | Secretary General,  
International Association of Insurance  
Supervisors (IAIS)



## The role of insurance in global policy discussions

The insurance industry plays a fundamental societal role in assessing and managing risk, be it at an individual, firm or community level. As such, the sector has immense insight into a range of policy discussions currently being debated at a local, regional and global level. From climate change and cyber risk to the future of work and ageing issues, the insurance sector has objective risk-based analysis that blends cutting-edge data analytics with a first-hand understanding of consumer preferences and regulatory environments.

We are improving our forecasting and risk modelling, deepening our commitment to societal issues and escalating our engagement with policymakers. And we are increasingly exerting our role as major institutional investors to encourage sustainable practices. In short, the insurance sector is poised to play a deeply impactful role in helping policymakers address some of the most complex risk challenges facing the world today. To do so we must transcend our traditional focus on parochial regulatory matters and fully embrace the broader role we play in fostering a more inclusive and resilient society.

**Francis Bouchard**  
Group Head of Communication  
and Public Affairs, Zurich

**“The insurance sector is poised to play a deeply impactful role in helping policymakers address some of the most complex risk challenges facing the world today”.**

## Highlights from the session

For me, the highlight of the meeting was the recognition that the insurance sector can and should be contributing to more than simply regulatory and capital regime debates.

This was particularly evident in the sessions addressing resilient economies, infrastructure and globalization, where we touched on the need to overcome regulatory fragmentation and recognize the role multinational insurance programs plan in facilitating global value chains.

Speakers effectively identified both the opportunities for impact as well as the challenges we face in optimizing our role as societal risk managers. In addition, the digital session raised some profound questions about the impact of new data, mobility and computational capabilities on the traditional compensation-after-event model, and the promising customer value we can create by moving to more of a prevention-of-risk model.

### The Insurance Forum as a precedent for the future

Yes I certainly do. The industry has been increasing its engagement with multi-lateral institutions, particularly in the climate space. Take, for example, the G20 Global InsuResilience Partnership and its ambitious targets for expanding the use and impact of insurance mechanisms. What the Insurance Forum has done, though, is extend that relevance to a series of other global issues including infrastructure investment, digitization, economic resilience and global trade. These are not typically issues that the insurance sector has collectively engaged multi-lateral organizations on, and hopefully the Forum demonstrated the value that such dialogues can have . . . both for the sector and policy makers.

### Highlight about the Insurance Forum

First and foremost the collaborative spirit and action-oriented focus set a tone of “we-own-these-issues-together”. That’s a major accomplishment, and it’s exactly how both the public and private sector participants will need to view their respective roles if we’re going to advance meaningful solutions to these challenges.

Of course Bariloche was quite memorable too, and left me with a taste of wanting to get back soon, just without a busy conference schedule!





**Alejandro Simón**  
CEO, Sancor Seguros (Co-Chair  
Insurance Forum)

### The role of insurance in global policy discussions

Throughout the different sessions we debated on the significant role of insurance in global policy discussions. Insurance supports the resilience and stability of the real economy as it provides financial protection to individuals and businesses. It plays a crucial role in agricultural development for the improvement of Food Security and Nutrition, and it serves as an institutional investor contributing to the real economy.

Moreover, it holds a challenging and decisive position in digital disruption, since Digitalization of the economy provides a whole spectrum of new opportunities.

### Highlights from the session

The reinsurance market contributes to both the affordability of primary insurance and to diversifying cross border risks.

The outstanding role of technology has brought about changes in paradigms in terms of relations with reinsurance distribution channels, allowing operators to advance towards direct business. Mo-

**“We should keep building G2B engagement, ensuring the voice of our sector reaches G20 leadership. This is a quite concrete and direct way of contributing to global policy making.”.**

reover, it has increased insurability by opening new possibilities to insure risks that seemed out of reach for coverage before.

There are initiatives underway to improve sustainability and promote risk mitigation, and there is nothing better than a reduction in cost to encourage people to reduce risk.

In order to increase levels of insurance protection we need better financial literacy and Government support regarding stable political environment, alignment of legal framework and regulation, availability of data on main cat risks, and development of good public private partnerships.

### Do you think the Insurance Forum has set a precedent for the future?

I certainly do. I hope that this Insurance Forum becomes the first of a periodic event. An event that allows us to get together and discuss the most relevant issues of our industry, and that also gives us a chance to raise issues as an input to feed G20 discussions.

We should keep building G2B engagement, ensuring the voice of our sector reaches G20 leadership. This is a quite concrete and direct way of contributing to global policy making.



### Highlight about the Insurance Forum

This Insurance Forum has been an excellent opportunity not only to discuss these issues among worldwide industry members, but also to have the presence of the regulators among the audience of the panels, listening to these discussions and the different perspectives of the industry.

The possibility of raising conclusions for the consideration of the Finance Track leaders of the G20, and as a potential input for their discussions and policy paper is a unique opportunity for our industry and I'm very happy that we took good advantage of this possibility.







**Santiago Bausili**

Secretary of Finance of the Argentine Republic

## Closing Remarks

I want to start by thanking you all for coming all the way down to Bariloche and participating in this event. I cannot emphasise how proud we are and how thankful we are for having the opportunity to host this event and how well things have laid out.

I think we are wrapping up the event with a long list of great takeaways. To begin with, when Juan told me that it might be a good idea to organise an Insurance Forum in the context of the G20, I thought it was going to be just another forum. He tried to explain to me that it would be the first time with such a gathering and even then, I was not able to grasp what that really meant. When I see now what Juan was able to do, he was able to spark momentum, and for an industry that has a long trajectory in a heavily regulated environment, gathering momentum is not a minor thing at all.

We had very interesting discussions on many topics. I picked a couple as the ones that stroke me most, for example, the contribution of the industry to resilient economies. From a broader perspecti-

ve, the insurance sector is in itself a resilient industry. When we bring into the picture the higher frequency of climatic or geographic events, there has not been a single story about the collapse of any major player, no Lehman Brothers, no Bernie Madoffs. So I cannot stop thinking that there is so much room for the insurance industry to expand and take over new challenges in the financial markets, and in a world coordinated fashion I am sure you can make it.

I liked a lot the panel on Food Security and Agriculture, confirming how much room there is for growth and for an active role for emerging market countries, the barns of the world.

But for me, the greatest takeaway is the excitement you all show about this opportunity that has suddenly come up. Not only you give away this feeling that you are suddenly looking at each other and thinking how come we have not done this before, let's make sure that we do it again. You give the feeling that there is a great power about unleash

and it is welcomed. I leave you the sense that this forum has been extremely productive, that is no often the case with forums. Not only the panels have been good, but there has been a series of meetings on the side lines that went straight to business and this has been done on a context of great responsibility. Meetings did not take place in a law secret done somewhere. We have shared a couple of days where industry players and regulators has sat hand in hand, not eye to eye to resolve matters. We had the benefit of taking advice from very experienced players. But the greatest contribution is associated with their vision of long term objectives and prosperity and that are the aims of what we all want.

And finally, a little bit about Argentina and what we went through. So many of you have praised our efforts for the change we are trying to implement. Thank you so much for that recognition. We are living through very tough times and change is hard. As President Macri put it a couple of weeks ago, change is hard and change is painful, and this is not just rhetoric, change is painful on an individual basis. Change requires individual sacrifices, without that we won't have change. Individual efforts need to be made, one at a time. So in this context your support is extremely valuable, it is humbling and energizing at the same time. Let me make it

**“I liked a lot the panel on Food Security and Agriculture, confirming how much room there is for growth and for an active role for emerging market countries, the barns of the world”.**

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very clear: we look up to you, we see you as examples to follow, we do not intend to be in a new path, and we just want to follow yours. So, your support is crucial and extremely comforting. Again, thank you very much for coming, thank you for your individual support. I hope that you enjoy the rest of your stay in Argentina, and I hope that you go back soon and when you go home you tell everybody about this amazing land of confusion.

**Thank you very much.**





**Communiqué  
Insurance Forum  
Argentina 2018**

September 25th, 2018.  
Bariloche, Rio Negro, Argentina.

The Superintendence of Insurance of Argentina hosted the Regulators Insurance Forum 2018 in the context of Argentina's G20 Presidency, where insurance supervisors from several jurisdictions, G20 members, and international organizations met in the city of San Carlos de Bariloche, Argentina, on the 24th of September, 2018 to discuss the crucial role of (re)insurance and protection of policyholders in light of evolving risks, challenges and opportunities around the globe.

Forum participants would like to thank the Argentine G20 Presidency for their efforts and leadership in highlighting the crucial role of insurance, with forum participants recognizing the value of on-going engagement and discussion at a global level on infrastructure investment, economic resilience and innovation.

The principal objective of insurance supervision is to promote the maintenance of fair, safe and stable insurance markets for the benefit and protection of policyholders. Insurance supervisors recognize that, in general, regulatory frameworks should strike an appropriate balance between competing objectives, avoiding potential unintended negative consequences for policyholder protection, financial stability and fair market conduct.

The following summarizes the concepts expressed throughout the sessions of the Regulators Insurance Forum 2018

## Building Resilient Economies

The insurance sector plays a critical role in supporting the resilience and stability of the real economy. Insurers provide financial protection to individuals and businesses against the risks they face, whether it be due to natural disasters that affect their assets and livelihoods, risks related to insufficient savings for retirement or events that affect income generating capacity.

In recent years there has been concerns about extreme weather conditions, exposing countries and their populations to risks associated with natural disasters, as well as difficulties in recovering from such catastrophic events. Where insurance is not available to provide a broad level of protection against these risks, covering losses is often transferred (implicitly) to the state, posing a risk to public finances and the broader economy and creating the potential for delays in financial recovery. Such situations disproportionately affect the bottom of the economic and social pyramid, especially in certain emerging markets where the protection gap continues to grow.

In most countries around the world, standards of living and advances in healthcare are allowing people to live longer. Individuals need to have

sufficient options for financial products which can help deal with the events and risks that arise over a lifetime. With increased longevity, retirement security is a major concern with significant impacts for the insurance sector.

Insurance supervisors have an important role to play in ensuring that the regulatory framework allows the development and offering of insurance products that meet the needs of consumers and provide a broad level of financial protection against these various risks.

### Forum participants discussed:

- *Protection gaps and how these might be addressed, so as to enable the broadening of insurance coverage to those most vulnerable.*
- *How to balance the competing aims of supporting access to and development of insurance markets that meet the needs of underserved populations, while maintaining a high standard of policyholder protection, financial stability and fair market conduct.*
- *Ways to promote financial literacy and consumer education about insurance as a risk transfer me-*



chanism and as a means for creating social and economic resilience.

- Risk mitigation, risk prevention and the effectiveness of private and public initiatives.

### Long term investment in infrastructure

Infrastructure is a key contributor to sustainable economic growth, resilience, job creation and prosperity. Although significant efforts have been made, there remains a need for infrastructure investment in both developed and emerging economies. Insurers, as institutional investors, can be a critical stakeholder in this discussion as they operate with a longer time horizon.

Legal, regulatory, tax, accounting and governance frameworks play an important role in informing decision making. Regulatory frameworks applicable to long term investment in infrastructure by insurers should include both the risk assessment of the asset and the mechanisms (including capital) to mitigate such risk. Regulatory and supervisory frameworks should be risk-based, utilize sound valuation approaches and encourage appropriate asset/liability matching and diversification. Insurers should not be incentivized or encouraged to

make investments that are not suitable or appropriate from a risk-reward standpoint or that potentially create financial stability issues.

#### Forum participants discussed:

- Experiences on how insurers can contribute to long term investments in infrastructure.
- The importance of discussing and exchanging perspectives on long term investment by insurers and regulatory frameworks, including risk assessment and management, in order to fulfil the objectives of policyholder protection and the maintenance of financial stability.
- Insurance Supervisors' perspectives on efforts by the G20 Presidency to address common barriers to infrastructure as an asset class such as limited supply of investable projects, and the unavailability of data needed to track asset performance and assess its risk.

### Innovation and technology

Innovation and new technologies are having a significant impact on the insurance sector. Technological advancements provide major opportunities, such as increased efficiency, improved design and marketing of products and more granular underwriting and pricing. Such advancement may also improve the outreach of financial services to underserved populations, and therefore help increase financial inclusion. However, insurance supervisors also recognize that new technologies may present new challenges to be considered and addressed. Technological innovation that can improve the lives of consumers should be encouraged, while maintaining fair, safe and stable insurance markets for the benefit and protection of policyholders.

#### Forum participants discussed:

- How regulatory frameworks and supervisory practices can take into account the development and use of new technologies in the insurance sector.
- The availability of products and services to consumers and improvements to insurance operations, and how positive developments can be fos-

tered while maintaining policyholder protection, financial stability and fair market conduct.

- The challenges of data security and cyber risk mitigation, and the appropriate measures for supervisors and insurers to address such risks.

Participants thank the Argentinean G20 Presidency for hosting this forum, where participants recognized how fair, safe and stable insurance markets can contribute to achieving the objectives of the G20, including resilience and sustainable economic growth.

The following institutions present at the Regulators Insurance Forum 2018:

**National Superintendence of Insurance** (Republic of Argentina); **Superintendencia de Seguros Privados - SUSEP** (Brazil); **Comisión para el Mercado Financiero de Chile** (Chile); **BaFin - Federal Financial Supervisory Authority** – (Germany); **Guernsey Financial Services Commission** (Guernsey); **Istituto per la Vigilanza sulle Assicurazioni - IVASS** (Republic of Italy); **Financial Services Agency** (Japan); **Comisión Nacional de Seguros y Fianzas de México** (Mexico); **Autorité de Contrôle des Assurances et de la Prévoyance Sociale** (Morocco); **Ministry of Finance** (The Netherlands); **De Nederlandsche Bank** (Netherlands); **Superintendencia de Seguros y Reaseguros de Panamá** (Panamá); **Saudi Arabian Monetary Authority** (Kingdom of Saudi Arabia); **Prudential Authority** (Republic of

South Africa); **Insurance Authority of the United Arab Emirates** (United Arab Emirates); **Financial Conduct Authority** – (United Kingdom); **Federal Reserve** (United States of America); **National Association of Insurance Commissioners** (United States of America); **United States Dept. of Treasury - Federal Insurance Office** (United States of America); **European Insurance and Occupational Pensions Authority - EIOPA** (European Union).

The following International Organisations were present at the Regulators Insurance Forum 2018:

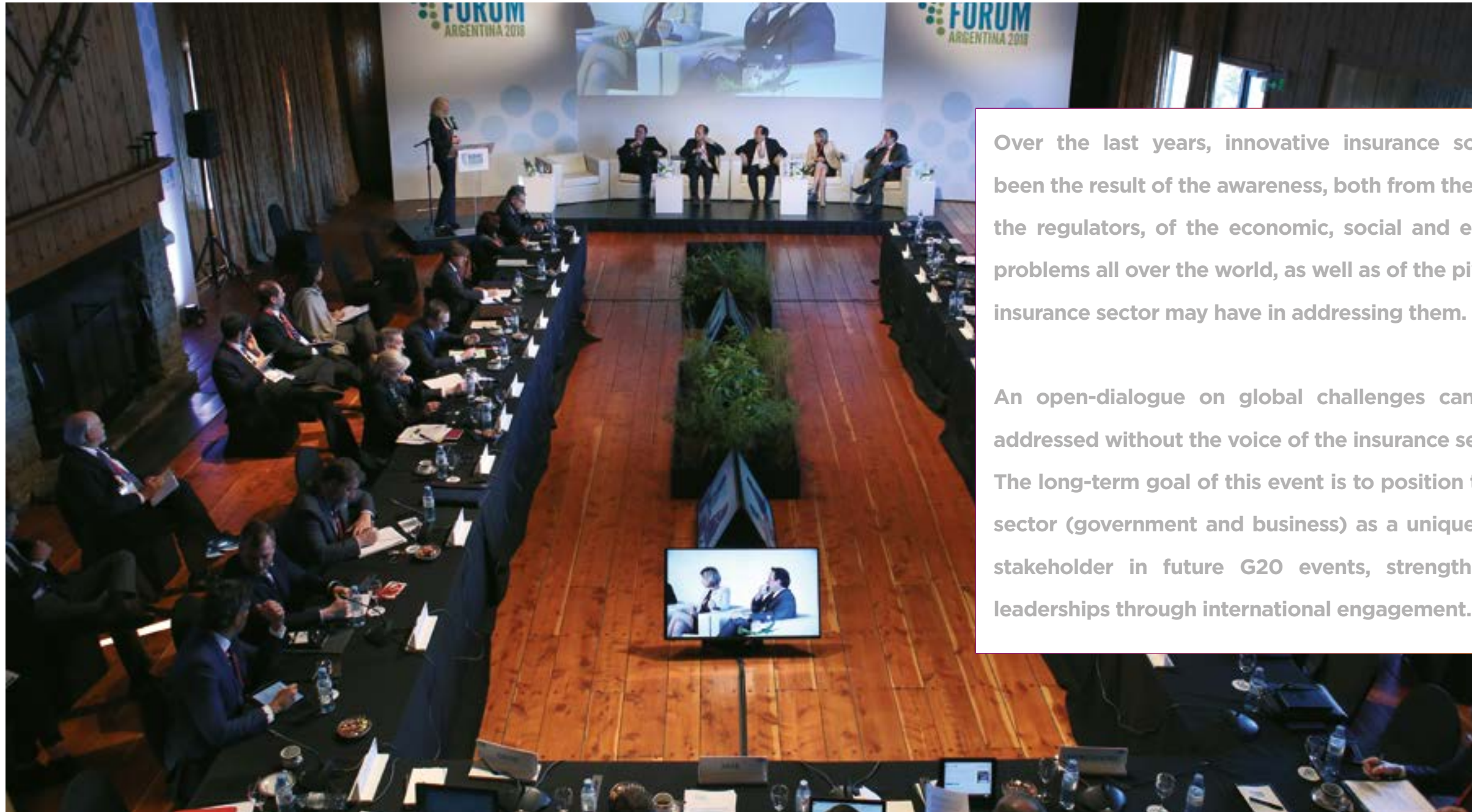
**Access to Insurance Initiative (A2ii)**; **InsuResilience Global Partnership**; **International Association of Insurance Supervisors (IAIS)**; **The Organization for Economic Cooperation and Development (OECD)**; **Sustainable Insurance Forum (UN)**.





**Building on the  
legacy: ensuring  
continuity**





Over the last years, innovative insurance solutions have been the result of the awareness, both from the industry and the regulators, of the economic, social and environmental problems all over the world, as well as of the pivotal role the insurance sector may have in addressing them.

An open-dialogue on global challenges cannot be fully addressed without the voice of the insurance sector.

The long-term goal of this event is to position the insurance sector (government and business) as a unique and distinct stakeholder in future G20 events, strengthening policy leaderships through international engagement.



2018 marked the first year that the crucial role of insurance was discussed at the G20 toward the long-term goal of positioning the insurance sector as a unique and distinct stakeholder in policy discussions at the G20.

Keeping up the momentum for the insurance dialogue, The Life Insurance Association of Japan (LIAJ) holds the Insurance Forum Japan 2019 under the auspices of the Japanese G20 Presidency. This industry side event takes place in Tokyo on **5 June 2019 prior to the G20 Osaka** Summit and other related meetings, taking the opportunity for Japan assuming the G20 Presidency for the first time ever.

Toward a better acknowledgement of the critical contributions by the insurance industry, the LIAJ aims to revisit various issues in the context of better fulfilment of the insurers' social roles and contribution to sustainable economic growth and have forward looking discussion on how insurers can make enhanced contribution by playing vibrant role. The forum will have three panel sessions highlighting critical topics identified in relation to the G20 priorities, namely ageing, digital innovation and resilient economy, followed by the panel on global regulation/supervision reflecting on the discussions in the preceding panels.

It is our great pleasure to extend a cordial invitation to the Insurance Forum Japan 2019. **We very much look forward to seeing you in Tokyo!**

Further details such as agenda, speakers, venue, accommodation and logistics information are available on the [webpage](#). For inquiries, please contact the LIAJ at [insuranceForumJapan2019@seiho.or.jp](mailto:insuranceForumJapan2019@seiho.or.jp).







The logo features a cluster of white circles of varying sizes on the left, resembling a stylized globe or a network. To the right, the words "INSURANCE" and "FORUM" are stacked in a bold, white, sans-serif font. Below "FORUM", the text "ARGENTINA 2018" is written in a smaller, white, sans-serif font.

**INSURANCE  
FORUM**  
ARGENTINA 2018