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***Opening Address***

*The 2<sup>nd</sup> Asian Forum of Insurance Regulators*

*June 27, 2007, Seoul, Korea*

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Distinguished colleagues from across Asia, Honored guests, and Ladies and gentlemen,

On behalf of the Financial Supervisory Commission and the Financial Supervisory Service, I welcome you to the Second Asian Forum of Insurance Regulators here in Seoul. We are honored and delighted to have you with us today. I know that many of you traveled long distances to join us here in Seoul. And I thank all of you for participating in the second AFIR with such enthusiasm.

Let me also say special thanks to CIRC Chairman Wu Dingfu for taking the initiative to host the first AFIR last year and promote dialogue among Asia's insurance regulators. I also thank Dr. Kawai, IAIS Secretary General, for his distinguished work at the IAIS on developing global standards for insurance regulators. We are glad to have both of you with us today.

Ladies and gentlemen,

The Seoul forum follows the first AFIR that China hosted in Beijing last October. It demonstrates, yet again, the importance Asia's insurance regulators attach to forging close working relations with each other. I also believe today's meeting is a unique opportunity to build a common agenda for Asia's insurance regulators and work together for our shared goals.

Today, I would like to share with you my thoughts on the development of Asian financial market and cooperation among regulators in Asia. Asia is the birthplace of three of the world's four earliest human civilizations. Therefore, it may be said that our heritage, tradition, and culture are a product of history that dates back to the very beginning of human civilization.

Through the test of time, our belief in diligence discipline, dedication, and respect for the elders came to be known as Asian values. These are of course the same values to which many attribute Asia's remarkable economic success in recent years.



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They are also the same values that enabled us to overcome the Asian financial crisis in the late 1990s.

Indeed, with China and India leading the way, Asia is driving the growth of the global economy, and few doubt Asia's enormous growth potential. It is estimated that Asia's foreign reserves are about 3 trillion U.S. dollars, more than half of the world's total foreign reserves. Offshore investment by Asian countries reached 436 billion U.S. dollars at the end of 2005, an 81% increase in a span of three years.

And Asia's market capitalization has grown 82% in the past three years and reached about 13 trillion U.S. dollars as of April this year. Asia's growth outlook is equally strong. The region's overall growth rate was 7.6% for 2006, and for 2007 the IMF forecasts about 7.2% growth.

As Asia's economies grow, its insurance markets are likely to see robust growth as well. The region as a whole makes up about 60% of the world's population. Yet, in 2005, Asia's insurance premium volume totaled 765 billion U.S. dollars, which is only 22% of the total global insurance premium. And when we consider growth indicators such as insurance penetration and per-capita expenditure on insurance, the growth potential of Asia's insurance markets becomes clear.

However, there also exist challenges that we have to deal with. As financial markets converge, new dynamics of competition are emerging among financial institutions. Insurance regulators must also contend with a host of difficult issues ranging from aging population and the possibility of a pandemic to natural disasters.

Globalization is another major challenge for Asia's insurance regulators. The global stock sell-off following a sharp drop in the Shanghai Stock Exchange back in February was yet another reminder of how interdependent we are nowadays. Indeed, I believe our interdependence compels us to consider all national and regional developments in a global context.

At a lecture in London last year, former U.S. president Bill Clinton noted that he preferred global interdependence to globalization. I believe his emphasis on interdependence rather than on globalization is a wise statement in today's mutually dependent world. Thus, in coping with global challenges, cooperation among insurance regulators is paramount.

In fact, Asian countries are taking regional cooperation seriously and taking concrete steps to strengthen it. Asian countries are making significant strides in advancing their common interests. Some of the examples are currency swap agreements, and developing a regional emergency fund.

Today's meeting of course embodies the very spirit of cooperation that all of us share.



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Ladies and gentlemen,

There is no question that the insurance industry plays a crucial role in a modern economy. It not only protects businesses and individuals from wide-ranging risks, but it also functions as the backbone of modern social safety net in most countries.

Indeed, insurance is so fundamental to our lives that neither social stability nor economic development would have been possible without it. Thus, it is expected that the insurance industry will expand and prosper as a “Total Risk Care & Solution Provider” in the near future.

As we debate the opportunities and challenges ahead, I believe it is essential for both regulators and the industry to forge a close partnership. For regulators, one key objective is to provide a balanced regulatory environment so as to improve and promote sound competition.

Cross-border issues, such as inconsistent financial soundness standards enforced by different supervisors, also warrant our attention. In today’s globalized insurance market, a better, more effective approach is to come up with global standards that will ensure cross-border consistency.

As you know, there are now efforts under way by the IAIS for Common Standards for the Assessment of Insurer Solvency. I believe that such common standards will prove a major step forward, a win-win situation for insurance companies, regulators, and consumers.

In closing, I would like to share with you an old Chinese proverb that says “Virtue never dwells alone; it always has neighbors.” At a time of great optimism mixed with a sense of uncertainty about what lies ahead, one virtue much in need is a spirit of community and cooperation. I am sure I speak for all of you when I say that this is in fact the very spirit with which we have gathered here today.

There are many important issues with which Asia’s insurance regulators must contend. So it is my hope that our meeting today will help us clarify our agenda for the future and reinforce our shared goals. We will continue to work vigorously together to address our collective concerns and achieve our common goals.

Once Again, we welcome you to the Second AFIR in Korea, a beautiful dynamic country. We thank you for joining us, and we look forward to building a lasting partnership with all of you.

Thank you.