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# Risk Management Framework Through ICPs and Solvency II Requirements: Baku, Azerbaijan

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**R**ight in the South Caucasus region, at the crossroads of eastern Europe and western Asia, lies Azerbaijan, a country that has been cited as one of the top 10 reformers by the World Bank’s *Doing Business Report*.<sup>1</sup> Baku, its capital city, hosted an Actuaries Without Borders® (AWB®) workshop titled Risk Management Framework Through Insurance Core Principles and Solvency II Requirements, Dec. 9–10, 2019. Nearly 60 members of the local actuarial association—the Actuarial Association of Azerbaijan (AAA)—attended the event. Workshop participants were primarily insurance company actuaries, but also actuaries from the former insurance regulator, FIMSA;<sup>2</sup>

the Ministries of Finance, Labour and Social Protection; and the National Academy of Sciences.

With a gross domestic product per capita<sup>3</sup> of USD 19,547 and a population of about 10.4 million, Azerbaijan is classified as an upper-middle-income economy by the United Nations. Its insurance sector is thriving, but much actuarial capacity building is urgently needed considering legal and regulatory changes, including the imminent overhaul of regulatory solvency requirements and the adoption of Insurance Financial Reporting Standard No. 17 (IFRS 17).

## ACTUARIES IN AZERBAIJAN

Actuarial activity commenced in 2008 with the enactment of the insurance law. The AAA was created in that year. The insurance law prescribes an official roster of actuaries who qualify after passing an exam. There is also the position of “appointed actuary,” who reports directly to the board of directors of the insurance company. However, due to the relatively fast development of the insurance market, the country has an urgent need for qualified actuaries. AWB® and the International Actuarial Association (IAA) have thus helped in the capacity-building process.

## ORGANIZATION OF THE WORKSHOP

Considering the need for actuarial capacity building in Azerbaijan, a workshop was jointly organized by Renata de Leers, executive director of AWB®; Dilara Asadova, member of AAA and AWB®; and Gunduz Aliyev, member of AAA. The workshop



Attendees at the 2019 actuarial conference in Azerbaijan



facilitator was Carlos Arocha, a long-standing volunteer of AWB®, who completed his fourth mission with the AWB®.

The agenda included the following topics:

- Global view of the International Association of Insurance Supervisors (IAIS) and its standards
- Corporate governance (Insurance Core Principle No. 7)
- Risk management and internal controls (Insurance Core Principle No. 8)
- Enterprise risk management for solvency purposes (Insurance Core Principle No. 16)
- Reporting requirements in Solvency II
- Comparison of the IAIS and Solvency II frameworks
- The actuarial education: qualified actuary and CERA

Alongside these sessions, multiple references were made to regulatory paradigms, such as Solvency II, the Swiss Solvency Test, and IFRS 17, as well as modern industry practices in both advanced and emerging insurance markets. The theoretical aspects of the workshop syllabus were complemented by engaging discussions.

With new courseware on corporate governance and risk management, AWB® is ready to support other regions in their actuarial capacity building.

On a personal note, I (Carlos) enjoyed working with the Azerbaijani actuaries. Their cordial reception, excellent hosting and

fine dining provided a friendly setting to intellectual exchanges about the actuarial profession and the future of the insurance industry. I am indebted to the organizers and everyone who contributed to the success of the workshop. I hope to have another opportunity to visit!

For further information, please visit the [AWB®](#) page on the IAA website. ■



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#### ENDNOTES

- 1 Most Improved in Doing Business 2009, *The World Bank*, n.d., <https://www.doingbusiness.org/en/reforms/top-reformers-2009> (accessed Feb. 14, 2020).
- 2 FIMSA, the Financial Market Supervision Authority, was disbanded by presidential decree on Nov. 28, 2019, just a few days before the start of the workshop. As of this writing, FIMSA's regulatory authority has been transferred to the Central Bank of Azerbaijan. See "Financial Market Supervision Authority Liquidated," *ABC.az*, Nov. 28, 2019, <http://abc.az/en/news/37055> (accessed Feb. 5, 2020).
- 3 Gross domestic product at purchasing power parity, international dollars. See World Economic Outlook Database, *International Monetary Fund*, January 2019, <https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019> (accessed Feb. 6, 2020).