FINANCIAL INTEGRATION IN THE WEST AFRICAN MONETARY ZONE: TOWARDS A SINGLE INSURANCE MARKET

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Background

The West African Monetary Zone (WAMZ) was established in December 2000 with the objectives of creating a monetary union for the five member states (The Gambia, Ghana, Guinea, Nigeria and Sierra Leone[1]); establishing a regional central bank; creating a single financial services supervisor; and, developing a common market for goods and services. The West African monetary institute (WAMI) was established in 2000, but commenced operations in 2001 as the forerunner to the West African central bank (WACB). The Institute serves as the secretariat of the WAMZ's governing bodies with a clear mandate to undertake preparatory work towards the establishment of a common central bank, West African Central Bank (WACB).

Integration of financial markets is a process of unifying markets and enabling convergence of risk-adjusted returns on the assets of comparable maturity athwart the markets. The process of integration is facilitated by an unrestrained access of participants to diverse market segments. Financial markets globally have witnessed growing integration within as well as across boundaries, prompted by deregulation and advances in information technology. Central banks in various parts of the world have made concerted efforts to develop financial markets, especially after the experience of numerous financial crises in the 1990s. At the same time, deregulation in emerging market economies (EMEs) has led to removal of restrictions on pricing of various financial assets, which is one of the pre-requisites for market integration.

Capital has become more mobile across national boundaries as countries are increasingly relying on savings from other countries to complement the domestic savings. Technological developments in electronic payment and communication systems have significantly reduced the arbitrage opportunities across financial centres, thereby facilitating the cross border mobility of funds.

[1] Liberia acceded to the Membership of the Zone in 2010.

The need for integrated financial market in a monetary union can hardly be overemphasized. First, integrated markets serve as a medium for authorities to transmit important price signals (Reddy, 2003). Second, efficient and integrated financial markets constitute an important vehicle for promoting domestic savings, investment and consequently economic growth (Mohan, 2005). Third, financial market integration promotes the necessary condition for a country's financial sector to emerge as an international or a regional financial centre (Reddy, 2003). Fourth, financial market integration, by enhancing competition and efficiency of intermediaries in their operations and allocation of resources, contributes to financial stability (Trichet, 2005).

Fifth, integrated markets lead to innovations and cost effective intermediation, thereby improving access to financial services for members of the public, institutions and companies alike (Giannetti et al., 2002). Sixth, integrated financial markets induce market discipline and informational efficiency. Seventh, financial market integration promotes the adoption of modern technology and payment systems to achieve cost effective financial intermediation services.

An important objective of reforms in most of the WAMZ countries has been to integrate the various segments of the financial market in order to transform the structure of markets, reduce arbitrage opportunities, achieve higher level of efficiency in market operation of intermediaries and increase efficacy of monetary policy in the economy (Onwioduokit and Adamu, 2005).

UNCTAD (1964) adumbrated the importance of the insurance industry in the development process of a country or region: a resonance insurance sector represents an essential feature of a sound economic system, contributing to economic growth and fostering high employment. Within an integrated economic area such as the one envisaged by the WAMZ, the contribution of member countries' insurance sectors to economic growth can be even more fundamental.

A low and uneven development of insurance, especially in the non-life, increases the level of risk in the economic decisions taken by individuals and firms, hampering, in turn, economic activity. The sound and reliable insurance sector is a *sine qua non* for a well functioning of the large proportion of the rest of the economy. Without a reliable mechanism for mutalisation, pooling and transferring risk, a large portion of the economic activity would simply not take place.

The insurance industry promotes economic growth and structural development through the following channels: providing broader insurance coverage directly to firms, improving their financial soundness; fostering entrepreneurial attitudes, encouraging investment, innovation, market dynamism and competition;

enhancing financial intermediation, creating liquidity and mobilizing savings as major institutional investors, insurers gather dispersed financial resources, and channel them towards investment opportunities, facilitating companies' access to capital; promoting sensible risk management by households and firms, contributing to sustainable and responsible development; and fostering stable consumption throughout life. Admittedly, these functions and benefits could be gained even at the national levels. However, the benefits of the scale economies amplify these benefits in an integrated regional insurance sector.

Insurance allows firms to expand and take on economic risks without the need to set aside capital in liquid contingency funds. The absence of adequate business insurance cover tends to be particularly harmful for small firms. Limited capital and difficulty in accessing financial markets make them vulnerable to adverse events. Without insurance, large contingency funds would be needed to protect firms against risk. For many small firms this would represent more capital than they presently employ in total. Therefore, without insurance, the population of firms would decrease rapidly.

Being innovative presupposes the willingness to take risks. Since (potential) entrepreneurs, much like ordinary people, are characterized by risk aversion, the willingness to take risks can be considered as a scarce resource (Sinn 1986, 1988). The more willingness to take risk is available, the more will be produced.

Even if the insurance industry cannot change the overall willingness of actors in an economy to take risks (risk aversion does not change with insurance), it does play a key role in freeing entrepreneurial spirit. Insurance decreases the risk supported by entrepreneurs through mitigating and pooling procedures and allows them to take additional risks. Well developed insurance markets contribute by helping to optimize the allocation of the scarce resource of "risk-taking" by shifting it from conservative to innovative and high profit activities. Underinsured firms, in contrast, usually do not exploit new business opportunities, they invest less in innovation and their degree in participation in global markets is low. The relationship between insurers and their business customers should be considered at least as important as the relationship between banks and their business customers.

Insurers' risk assessment is reflected in price and policy conditions. In this way they offer firms and households an indicator of their risk level. The policy holder can take action to reduce the risk profile, or to reduce the potential damage, or both. Therefore, by means of risk pricing, insurance acts as a precaution improver and encourages responsible and sustainable use of resources; for example: prevention of accidents at work, less polluting technology. The client will clearly see the advantages of action taken to reduce risk. In some cases this will happen because there will be no insurance if things are left unchanged, at other times this will happen because of a high premium level.

This process influences investment decisions and thus contributes to the sustainable development of the economy and society.

Given that consumption constitutes a significant percentage of GDP and represents one of the key drivers of economic growth and citizen welfare, by offering lifelong financial protection, insurance acts as a security net allowing stable consumption throughout an individual's life: house and other damage insurance allow households to secure their assets in case of adverse events; liability insurance protects households from the consequence of damage they may cause to other people; life insurance protects relatives from financial burdens in case of death and/or offers revenue, under the form of capital or annuities, at the time of retirement; health and accident insurance provides resources when they are most needed; and credit insurance eases consumption but also protects the consumer against excessive debt through pricing and acceptation policies.

By offering products relevant to all aspects of life, insurance secures the standard of living and sustains consumption, which is one of the main drivers of economic growth. Guaranteeing a stable lifestyle to millions of Europeans increases their confidence in the future and enhances consumption.

Overall, conducting insurance business in a unified market offers advantages to both market sides compared to a situation of national fragmentation. Suppliers benefit from improved regional diversification of insured risks, the realization of economies of scale and a wider area for investing assets. Consumers benefit from a larger choice among insurance companies and products and a higher degree of competition. Provided that antirust policy is effectively safeguarding a competitive situation policyholders should therefore get a better ratio of "insurance value for premium".

In furtherance of one of its core mandates of integrating the financial sector in the Zone within the framework of a common market, the Institute has undertaken several measures in the three main sub-sectors that constitute the financial sector in the Zone: Capital market, banking sector and insurance. The objective of this paper is to identify the challenges militating against the integration of the insurance sub sector and adumbrate the various strategies that the Institute is adopting towards the integration of the sub-sector in the Zone.

Following this introduction, the rest of the paper is organized thus: Part II contains a brief discussion on the nexus between financial sector integration and economic growth, including dimensions of financial integration. Part III briefly discusses the insurance sector in the WAMZ while Part IV examines the European experience on insurance market integration. In Part V, the challenges and way forward for insurance integration is presented. Part VI contains some concluding remarks.

II FINANCIAL MARKET INTEGRATION: THEORETICAL AND CONCEPTUAL ISSUES

Financial market integration at the theoretical level has been postulated in several ways. The most popular economic principles of financial integration include the law of one price, term structure of interest rates, parity conditions including purchasing power parity, covered and uncovered interest parity conditions, capital asset price model, arbitrage price theory and Black-Scholes' principle of pricing derivatives.

The law of one price (LOOP), pioneered by Cournot (1927) and Marshall (1930) constitutes the pivotal principle underlying financial market integration. The LOOP avers that, in the absence of administrative and informational barriers, risk-adjusted returns on identical assets should be comparable across markets. While the LOOP provides a generalized framework for financial market integration, finance literature offers alternative principles, which establish operational linkages among different financial market segments.

The term structure of interest rates, deriving from paradigms of unbiased expectations, liquidity preference, and market segmentation, establishes integration across the maturity spectrum, i.e., short, medium and long ends of the financial market (Blinder, 2004). Generally, the term structure is applied to a particular instrument for example the risk free government securities. However, in the monetary economics literature it is recognized that the term structure of interest rate holds useful information about future trajectory of inflation and growth, which described the objective function of policy in most countries.

The capital asset pricing model (CAPM) proposed by Sharpe (1964) is used extensively for valuing systematic risk to financial assets. The CAPM establishes linkage between market instruments and risk free instruments such as government securities. The CAPM envisages a simplified world with no taxes and transaction costs, and identical investors. In such a world, super-efficient portfolio must be the market portfolio; leveraging or deleveraging would be driven by the risk-free asset in order to achieve a desired level of risk and return.

The Black-Scholes' principle of option pricing, postulates linkage between derivative products on the one hand and cash-spot market of underlying assets on the other. The frequently quoted put-call parity principle in finance theory states that in the absence of arbitrage opportunities, a derivative instrument can be replicated in terms of spot price of underlying asset, coupled with some borrowing or lending activity. The forward-spot parity relation is used broadly for analyzing linkages between foreign exchange forwards and the money market instruments.

Beyond economic and financial principles, financial markets integration could also occur due to information efficiency as economic agents form expectations about the future course of policy and real sector developments. For instance, even if transactions between residents and non-residents and between markets and intermediaries remain incomplete or limited due to regulatory barriers, participants could form expectation that such restrictions may not continue for long with an anticipated shift in policy regime towards greater opening and liberalization of markets over time. This expectation will consequently drive their behaviour even in the face of regulatory barriers.

The theoretical literature outlines the benefits and costs of financial integration from the perspective of sovereigns, individuals, corporate, and financial institutions. In the hierarchy, domestic financial market integration comes first, followed by regional and global integration (Sundarajan et al., 2003). Unlike international integration, the benefits of domestic financial integration are hardly contested.

Domestic financial markets constitute a vital pillar of a market-based economy as they mobilize savings, allocate risk, absorb external financial shocks, promote good governance through market-based incentives and contribute to more stable investment financing and, thus, higher economic growth, lower macroeconomic volatility and greater financial stability (Mohan, 2005). The development of local financial markets also reduces the risks associated with excessive reliance on foreign capital, including currency and maturity mismatches (Prasad et al., 2003). Domestic integration provides an effective channel for the transmission of policy impulses (Pétursson, 2001).

The benefits of regional financial market integration depend on size, composition, and quality of capital flows. Regional financial integration involves direct and indirect or collateral benefits (Prasad et al., 2006). Analytical arguments supporting financial openness revolve around main considerations including the benefits of international risk sharing for consumption smoothing, the positive impact of capital flows on domestic investment and growth, enhanced macroeconomic discipline and increased efficiency as well as greater stability of the domestic financial system associated with financial openness (Agenor and Aizenman, 1999). Regional financial integration could positively affect total factor productivity (Levine, 2001). Financial openness may increase the depth and breadth of domestic financial markets and lead to an increase in the degree of efficiency of the financial intermediation process by lowering costs and excessive profits associated with monopolistic and cartelized markets, thereby lowering the cost of investment and improving the resource allocation (Levine, 1996; Caprio and Honhan, 1999).

Financial market integration also creates some risks and involves costs. A key risk is that of contagion. There are two channels through which the contagion normally works: the real channel, which relates to potential for *domino effects* through real exposures on participants operating in other segments; and the information channel which relates to contagious withdrawals due to lack of accurate and timely information. Increased domestic and international integration accentuates the risk of contagion as problems in one market segment are likely to be transmitted to other market segment with the potential to cause systemic instability (Dadush, Dasgupta and Ratha, 2000).

Also within the context of globalization, potential costs include the high degree of concentration of capital flows, misallocation of flows, which may hamper their growth effects and exacerbate domestic distortions; the loss of macroeconomic stability; the pro-cyclical nature of short-term capital flows and the risk of abrupt reversals; a high degree of volatility of capital flows, which relates in part to herding and contagion effects; and risks associated with foreign bank penetration (Dadush, Dasgupta and Ratha, 2000).

II.1 CONCEPTUAL ISSUES

From an alternative perspective, financial market integration could take place horizontally and vertically. In the horizontal integration, inter-linkages occur among domestic financial market segments, while vertical integration occurs between domestic markets and regional/international financial markets (USAID, 1998).

Domestic financial market integration entails horizontal linkages of various segments, reflecting portfolio diversification by savers, investors and intermediaries. Under horizontal integration, market interest rates typically revolve around a basic reference rate, which is defined as the price of a short-term low-risk financial instrument in a competitive and liquid market. It typically provides the basic liquidity for the formal financial system and monetary authorities often use it to gauge the primary impact of monetary policy. Domestic markets may be closely integrated because intermediaries operate simultaneously in various market segments; for instance, commercial banks operate in both the saving (deposit) and loan markets.

Regional financial integration occurs due to ties between a given region and the major financial centre serving that region. Economic integration might be easier to achieve at a regional level due to network externalities and the tendency of market makers to concentrate in certain geographical centres. Gravity models, which take into account the economic sizes and distance between two countries, explain bilateral trade and investment flows.

Furthermore, regional financial integration can be an important means of developing local financial markets, for instance, through peer pressure to strengthen institutions and upgrade local practices (BIS, 2006).

Global integration refers to the opening up of domestic markets and institutions to the free cross-border flow of capital and financial services by removing barriers such as capital controls and withholding taxes. A deeper dimension of global integration entails removing obstacles to movement of people, technology and market participants across border (BIS, 2006). Global integration is promoted through harmonization of national standards and laws, either through the adoption of commonly agreed minimum standards or the mutual recognition of standards (Reddy, 2006).

III. INSURANCE SECTOR IN THE WAMZ

The insurance markets of the WAMZ countries are relatively not efficient. Although there are several small insurance companies competing for premiums, only one company within the entire WAMZ region has a gross premium base in excess of $100 million: Nigeria's NICON insurance. The capacity for insurance business in the sub-region is relatively under developed as there is inadequately trained and experienced workforce for the insurance industry as well as the insurance regulators. However, the Insurance Institute based in The Gambia takes care of middle management and senior staff, as do the education and training courses conducted by West African Insurance Companies Association (WAICA) is contributing to building capacity across the sub-region.

The insurance regulators are at various stages of development, with the Nigerian and Ghanaian supervisors best staffed and equipped. Consequently the degree to which the industry is supervised varies significantly across the countries. The Zone's regulators share little information amongst each other. There are no formal avenues whereby information could be shared. Harmonization and improvements in cross border trade could be brought about by implementing certain courses of action, such as a common approach to supervision, licensing and claims payments.

The Zone's insurance laws and regulations are diverse. There are considerable differences in the amount of minimum capital required for obtaining an insurance license in each of the countries, the extremes being in Sierra Leone, where a life license requires $25,000 of capital, and Nigeria, where that same license requires a minimum capital of $13.5 million.

Each of the WAMZ countries has its own set of insurance laws and regulations. The laws currently do not take risk based capital into consideration; the accent is on total capital. The comparatively high levels of capital requirements in

Nigeria impose a considerable barrier to entering the insurance market for insurers from other WAMZ countries. Space for regulatory arbitrage in respect of capital requirements is invalidated by the fact that branch operations are not allowed in any of the WAMZ countries: separate corporate structures need to be established.

Each of the WAMZ countries has an insurance regulator/supervisor. In Ghana, Nigeria and Sierra Leone, separate quasi-independent insurance regulators exist. In the case of The Gambia, Guinea and Liberia, a department within the central bank is responsible for insurance supervision

The level of staffing and the quality of the insurance regulatory staff is related to its funding. A number of regulators do meet informally, and have done so over a period of time. There are no formal arrangements in place between the insurance regulators of the various WAMZ countries, for such purposes as information sharing. The only formal cross border agreement currently in place is the Brown Card Scheme under the ECOWAS framework. At the moment, companies operating in more than one WAMZ country have not yet established functions which are centralized across all countries, such as claims handling or underwriting.

Almost all of the insurance products sold in the WAMZ region are in the compulsory category, only a small number of people purchase insurance products willingly; thus insurance penetration are at relatively very low levels. There is very little attention to customer satisfaction. Creating the right conditions for healthy cross border trade, benefitting policyholders and the entire insurance industry could be driven through improved supervision and improved insurance laws and regulations, or improved application of existing laws and regulations.

The insurance regulators of all WAMZ countries could improve the environment for growing a viable and healthy long term insurance industry by making unremitting and concerted regional effort to force insurance companies to pay claims in a timely and fair manner, as measured by a continuously increasing percentage of premiums being allocated to the payment of policyholder claims and benefits.

Consumer education and understanding are also inadequate: throughout the WAMZ region, potential policyholders are unaware of the benefits to be derived from owning insurance products. A determined effort to increase consumer education, drawing awareness to the benefit of holding insurance policies, could be carried out throughout the WAMZ region by means of production and distribution of published material and advertisements.

IV. THE ROAD TO SINGLE MARKET FOR INSURANCE: EUROPEAN EXPERIENCE

The only monetary arrangement that is functional today that was achieved through the convergence process as the one the WAMZ is currently undertaking is the European Monetary Union. Therefore, it is germane to take a cursory look at their experience in the insurance market integration to glean some lessons from their experience.

In general, the single market for financial services in Europe is founded on the fulfillment of the three indispensable basic freedoms provided by the Treaty of Rome (1957): the freedom of establishment, the free movement of goods and services and the free movement of capital. With respect to insurance, three generations of insurance directives have been issued and implemented between 1973 and 1992 to enforce these principles.

In the first stage (1973 – 79), the freedom of establishment was realized, Insurance companies were allowed to open up subsidiaries, branch offices or agencies in every EU Member State, though the national authority of the host country was held responsible for prudential supervision (host country control). During the second stage (1983 – 90), the freedom of services was set up. Since then, it was possible to do insurance business without having a fixed branch or subsidiary. The host country control, however, was abolished only for certain industrial risks (e.g. industrial fire) while for private business most EU member nations made use of their option to leave the host country control unchanged; exceptions to this rule were the Netherlands and the United Kingdom. One benign explanation for this may be found in the authorities' attempt to maximize the protection of the private policyholder. But also protectionist motivations most likely played a role for sticking to host country control. This regulatory regime left the domestic insurance industry being in the more comfortable situation not to operate in a contestable international market environment.

The third generation of insurance directives (1992) was thought to unfold the desired quantum leap for wholly liberalizing the retail business also. It consisted of the subsequent key elements: abolition of price and product regulations; restriction of host country supervision to solvency control; establishment of the principle of minimum harmonisation; introduction of single EU license (+ mutual recognition); and home country control for all insurance classes.

The most important step was the establishment of the home country control principle since market observers held the opinion that foreign suppliers were reluctant to establish a branch office under the control of the host country. Since then, companies only need a license from their home country supervisory authority to conduct insurance business all over the EU, either under the rule of freedom of establishment or under the rule of freedom to provide services.

However, the business of subsidiaries remains regulated by the host country. Additionally, the component home authority of their head office country has to be notified of their intended business plan. Documents indicating the member country in which the branch is to be established, the name and address of the agent or branch and a scheme of operations have to be submitted. With respect to the provisions on the freedom of services it is simply required that the competent home authority be informed about the member country in which they intend to carry on business and about the risks they intend to cover. The respective home country authorities pay attention to the exchange of information between the supervisory authorities.

These efforts for liberalisation and deregulation led market observers to expect a strengthening of European cross-border competition and market consolidation. Yet, the ideal of a single insurance market by far has not been achieved during the time thereafter. Insurance enterprises now have to cope with both newly emerged and well known obstacles. Many uncertainties have arisen from the exact scope of the freedom to provide services and from the extent to which the *general good* principle can be invoked by national authorities.

The latter principle has been developed by case law. It enables national authorities even now to set individual national rules that possibly deny market access to foreign companies if certain public interests are claimed to be violated. This claim can be based on consumer protection, prevention of fraud or worker protection, for example. The Commissions' communications on "Freedom to Provide Services and the General Good in the Insurance Sector" first announced 1997, but issued only in 2009 clarify its view of the freedom to provide services and the general good principle. However, since the general good principle is being evolved by case law, legal doubts persist and hinder insurance companies to approach foreign EU markets without frictions.

V WAMZ REGIONAL INSURANCE INTEGRATION: CHALLENGES AND WAYFORWARD

Several factors have come together to propel the regionalization of financial markets in the WAMZ. The signing of the ECOWAS Protocol on free movement of persons, goods and services coupled with that of right of residence and establishment though still fraud with implementation difficulties forms the lynchpin for the private sector to invest across borders. However, several factors still constrain particularly the growth and integration of the regional financial sector and specifically that of the insurance market. The key challenges and the concomitant proposal towards resolving them are presented below:

Non Harmonization of legal and regulatory frameworks: As indicated earlier, there exist differential in tax regimes and other regulatory discrepancies which constitute a major hindrance to integration. There is an urgent need to align regulatory and supervisory frameworks and reporting requirements to address this issue.

Non Existence of a single licensing regime: the absence of a single licensing hinders integration. If a single licensing regime were to be introduced, for insurance it will significantly reduce cross-border transaction times and costs and barriers to entry.

Non Mutual recognition among regulators: at present there are no mutual recognitions among regulators. For the integration to be effective there is need for mutual recognition, this will require that national regulators converge around some broadly defined international principles.

Inadequate regionally compatible financial infrastructure: Nigeria and Ghana have already made substantial progress in integrating their real time gross settlement systems (RTGS). Other countries are in the process to aligning their payment systems with those of Nigeria and Ghana. However, these are still stand alone system. It is necessary to ensure that these infrastructures are compatible and integrated through a central hub at the regional level.

Non Existence of cross-border supervisory practices: deepening links between financial institutions warrants a similar deepening of cooperation between supervisors. At present such links do not exist in the WAMZ. Home-host supervisory communication and consolidated supervisions are important to ensuring that weaknesses in one financial institution/market do not put the regional financial system at risk.

Weak data gathering Mechanism: Information on current volumes of cross-border trade in insurance products is generally wooly and deficient. This data gap is problematic, not just because policymakers are working with limited information on the issues and opportunities that lie ahead, but it also masks the benefits and costs of further integration by obscuring the extent of cross-border linkages.

Overall, the key challenges to the Insurance Sector Integration in the West African Monetary Zone (WAMZ) include the lack of harmonisation of legal and regulatory frameworks governing the sector, the high costs of transaction, and the insolvency regime. Jurisdiction dissimilarities include Measurement of assets, minimum capital requirements, regulatory solvency capital, insurance laws, solvency laws, policy holder priority during wind-up, scope and coverage of insurance policies and the existence of other types of policyholder protection.

Others are intervention process and powers, bilateral/multilateral recognition/agreement between home and host regimes, and planning for stress and resolution situations are some of the key areas of divergence in the supervisory structures of member states of the WAMZ.

The need to harmonize the rules and the entire regulatory framework for the insurance sector across the region, necessitate the establishment of an Insurance Supervisors' College to periodically deliberate on issues bordering on the supervision and joint examination of insurance companies with cross-border presence. In this direction, there is strong need to streamline insurance integration efforts in the WAMZ as a precursor; in this regard Guinea had been proposed to be adopted as a member of WAICA, since the country is already a member of WAMZ.

The Institute in collaboration with ECOWAS and WAICA had taken steps to institutionalize the insurance sector integration in the WAMZ. These include agreements to constitute the ***West African Insurance Sector Integration Council*** (WAISIC) made up of the heads of National Insurance Regulation in member countries and the CEOs of Insurance Associations in member countries. The CEO of the ECOWAS Brown Card Scheme and the Private Sector Department of the ECOWAS Commission, WAMI and WAICA as observers, to oversee the integration of the insurance sector in member countries of the WAMZ.

The WAISIC would be supported by two technical committees (TC) to advice the WAISIC on the harmonisation of the rules and regulatory frameworks, harmonisation of operational processes, and the creation of a common platform for cross-border insurance operations in the WAMZ

VI. CONCLUSION

Integrated financial markets including insurance are a key element in the transmission process and hence for the smooth conduct of monetary policy in the envisaged common central bank arrangement for the WAMZ. Financial integration also leads to better diversification of risks and makes a positive contribution to financial stability by improving the capacity of economies to absorb shocks. On the other hand, fully integrated financial markets also pave the way for shocks to propagate more quickly among market participants and across countries, which could necessitate appropriate safeguards. To mitigate the risks and maximize benefits from financial integration, it is imperative that the financial markets are developed and integrated further in the Zone.

Enhanced co-operation among various stake holders including regulatory authorities is also important for ensuring effective integration. As international experience suggests, integration of the insurance sector in a monetary union must be pursued consciously and conscientiously with clear time lines outlined for the various components of the integration efforts. The fierce urgency for the WAMZ is to adopt immediate and workable strategies to accelerate the integration process of the financial sector, particularly the insurance sub-sector in order to facilitate trade in goods and services within the Zone. In this direction, the insurance sector integration 'quick wins' should focus on: taking action in order to make the brown card scheme a more resounding success; increasing the minimum capital requirement in some of the WAMZ countries; developing a program whereby insurance companies are forced to pay claims fairly; and harmonizing insurance laws and regulation.

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