

Reinsurance Directive 2005/68/EC

Ben Carr
Insurance and Pensions Unit

Screening process
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Background to Directive 2005/68/EC

- **Until the recent introduction of the EU Reinsurance Directive there were no harmonised reinsurance supervision rules in the EU**
- **The lack of an EU regulatory framework for reinsurance has resulted in significant differences in the level of supervision of reinsurance undertakings between different EU Member States**
- **These different national rules have created uncertainty for direct insurance companies (and their policyholders) and led to barriers to trade within the internal market, as well as giving rise to administrative burdens and costs**
- **The lack of a European framework has also weakened the EU's position in international trade negotiations aimed at opening up the insurance markets worldwide**

Background to Directive 2005/68/EC

- **The introduction of the Reinsurance Directive will increase direct insurers confidence that reinsurance operators are properly regulated and hold sufficient capital to cover the risks they take on**
- **The Directive will give reinsurers greater flexibility to operate throughout the EU with a minimum of red tape.**
- **Customers of insurance companies stand to benefit from increased competition and a more efficient market.**
- **It will also contribute to international financial stability and address the concerns raised in this respect by international fora such as the International Monetary Fund.**

History of the Directive 2005/68/EC

- On 21st April 2004, the Commission presented its proposal for a Directive of the European Parliament and of the Council on reinsurance. The proposal provides for a regulatory framework based on the existing regime introduced by the Third Generation Insurance Directives.
- On the 7th June 2005, the European Parliament voted to approve the proposed Directive on reinsurance and the Council accepted the European Parliament's amendments. The EU Council of Ministers approved the Directive on 17th October 2005.
- The Directive was published in the Official Journal on 9th December 2005 and Member States must implement the Directive by 10th December 2007. Member States will have an additional 12 months – i.e. until 10th December 2008 - to remove requirements for reinsurance collaterals.

Provisions of the Directive 2005/68/EC

- **The Directive extends to reinsurance undertakings the existing system for EU insurance undertakings**
- **Home Country Control: authorisation and financial supervision is the responsibility of the supervisory authority of the Member State in which the reinsurance undertaking has its head office in accordance with harmonised reinsurance supervision rules.**
- **Single Passport: reinsurance undertakings are able to operate throughout the EU, either by establishing themselves in other Member States, or by providing services directly from their home or another Member State.**
- **The Directive sets out minimum regulatory requirements that are consistent with internationally agreed standards produced by bodies such as the IAIS (International Association of Insurance Supervisors)**

Provisions of the Directive 2005/68/EC

- **The Directive prohibits Member States from introducing or keeping rules requiring EU reinsurers to post collateral.**
- **Rules requiring reinsurers to post collateral were prohibited, because it was felt that they represented both a barrier to the creation of an internal market; and because**
- **A system based on mutual recognition was more appropriate for today's international reinsurance markets than a system that relies primarily on the posting of collateral.**

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For further information:

http://europa.eu.int/comm/internal_market/insurance/reinsurance_en.htm