EU/USA bilateral agreement on prudential measures regarding insurance and reinsurance

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PURPOSE: to conclude, on behalf of the European Union, the Bilateral Agreement between the European Union and the United States of America on prudential measures regarding insurance and reinsurance.

PROPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: Council may adopt the act only if Parliament has given its consent to the act

BACKGROUND: on 21 April 2015, the Council authorised the Commission to start negotiations with the United States of America for the conclusion of an Agreement on insurance and reinsurance.

The Commission negotiated a Bilateral Agreement with the US on **prudential measures** regarding insurance and reinsurance in the course of 2016.

The conclusion of the Agreement will lead to:

- **enhanced regulatory certainty** in the application of insurance and reinsurance regulatory frameworks for insurers and reinsurers operating in the European Union and the United States of America;
- **improved policy-holders and other consumers' protection** through cooperation between supervisors on the exchange of information.

It is now necessary to approve this Agreement on behalf of the European Union.

CONTENT: this proposal for a Council Decision constitutes the legal instrument for the conclusion of the **Bilateral Agreement between the European Union and the United States of America** on prudential measures regarding insurance and reinsurance.

The Agreement sets out the **conditions for group supervision in both Parties of their respective insurance and reinsurance groups**:

- reinsurers of one Party operating in the other Party will not be subjected to any requirement to post collateral or to establish a branch or subsidiary, if they meet the prudential conditions laid down in the Agreement;
- insurance groups of one Party operating in the other Party which meet the conditions will not be subjected to a requirement to carry out a group solvency calculation for their worldwide activities nor to other aspects of group supervision for their worldwide activities.

Supervisors can exercise group supervision on groups established within the territory of their Party, and can **require information** to be provided about worldwide activities which risk seriously harming policy-holders in their jurisdiction or threatening financial stability.

The Agreement:

- lays down the prudential conditions to be applied for the removal of local presence and collateral requirements for reinsurers regulated and supervised in the other Party;
- contains provisions and, in an annex, a model memorandum of understanding for the **exchange of information** between supervisory authorities in the EU and the US;
- provides for the setting up of a **Joint Committee** to discuss the application and implementation of the Agreement as well as the possibility for the Parties to amend or terminate the Agreement.

Full application of every Article of the Agreement, which starts on either the date 60 months following the date of signature of the Agreement, or the date of entry into force of the Agreement, whichever is later. Where entry into force of the Agreement is prior to the date 60 months following signature of the Agreement, certain parts of the Agreement start to apply on earlier dates. Certain parts of the Agreement shall apply provisionally before the entry into force of the Agreement.