Life insurance: solvency margin for undertakings (amend. Directive 79/267/EEC)

2000/0249(COD) - 25/10/2000 - Legislative proposal

PURPOSE : to present a proposal for a Directive on the solvency margin requirements for life assurance undertakings. CONTENT : the basic purpose of this proposal is to improve the protection of insurance policyholders by improving the rules regarding the solvency margin of life assurance undertakings. A companion proposal (refer to COD/2000/0251) to amend the solvency margin for non-life insurance undertakings has also been prepared. The two proposals have many common measures and for coherence should be read together. The existing solvency margin requirements were established more than 20 years ago and since then have remained substantially unchanged. Hence, the need to review the solvency margin requirements. With this in mind, the Commission conducted an in-depth analysis and also extensive discussion has taken place and all this work has culminated in the present package of proposals. The present proposal for a Directive significantly clarifies, simplifies, improves and updates the existing rules. Taken as a whole it represents a significant strenthening and improvement of the current system. Overall, it reinforces the existing system by the following measures: - minimum harmonisation: the harmonised solvency margin (SM) rules are not to be considered strict. Thus, Member States are free to establish more stringent rules for the undertakings they authorise. This approach reflects differences between existing systems and allows national authorities to further strengthen RSM in line with their national market specificities; - indexation of MGF (Minimum Guarantee Funds): the MGF has been strengthened and indexed in line with inflation. Generous transitional arrangements are foreseen (5 plus additional 2 years from entry into force); - increased powers of early intervention for supervisors: regulatory supervision has been strengthened by expressively endowing the competent authorities with the power to take remedial action where policyholders interests are threatened; - changes to solvency margin for reinsurance: the existing formula for the reinsurance reduction to the RSM has been slightly improved. It is now based on a three year average (as opposed to a single year); - the different items eligible for the ASM have been clarified and categorised into three groups according to thir relative finaincial strength. The eligibility of certain items has been further limited. Furthermore, different accounting approaches are now treated in a more coherent and consistent manner. The proposal covers all insurance undertakings established as limited companies and all mutuals whose contribution income exceeds EUR 5 million.