Non-life insurance: solvency margin for undertakings (amend. Directive 73/239/EEC)

2000/0251(COD) - 05/03/2002 - Final act

PURPOSE : to improve the protection of insurance policyholders by improving rules regarding the solvency margin requirements for non-life insurance undertakings. COMMUNITY MEASURE : Directive 2002/13/EEC as regards the solvency margin requirements for non-life insurance undertakings. CONTENT : the Council adopted the directive by accepting all the amendments voted by the European parliament in its first reading. This Directive significantly clarifies, simplifies, improves and updates the existing rules. Taken as a whole, it represents a significant strengthening 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 market specificities; - indexation of MGF (Minimum Guarantee Fund) and premium/claims thresholds: the MGF's have been strengthened and indexed in line with inflation; - 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 one single year); - increased power of early intervention for supervisors: regulatory supervision has been strengthened by expressely endowing the competent authorities with the power to take remedial action where policyholders interests are threatened; - solvency margin requirement for run-off companies: previously the RSM formula produced an unsatisfactory result for insurance undertakings in run-off. This is now corrected by requiring a proportionate run-down in the RSM; - the different items eligible for the ASM have been clarified and categorised into three groups according to their relative financial strength. The eligibility of certain items has been further limited, thus reinforcing the financial quality of the solvency margin. Not later than 1 January 2007 the Commission shall submit to the European Parliament and the Council a report on the application of this Directive and, if necessary, on the need for further harmonisation. The report shall indicate how Member States have made use of the possibilities in this Directive, and, in particular, whether the discretionary powers afforded to the national supervisory authorities have resulted in major supervisory differences in the single market. ENTRY INTO FORCE : 20/03/2002. IMPLEMENTATION : 20/09/2003.