Insurance: supplementary supervision of insurance undertakings belonging to a group

1995/0245(COD) - 27/10/1998 - Final act

OBJECTIVE: by ensuring more efficient application of solvability requirements of insurance undertakings, to strengthen the single insurance market, enhance the protection of policyholders and contribute towards the stability of the financial markets. COMMUNITY MEASURE: European Parliament and Council Directive 98/78/EC on the supplementary supervision of insurance undertakings in an insurance group. CONTENT: the Directive seeks mainly to give insurance supervisors efficient instruments to ascertain the true solvency of an insurance undertaking in an insurance group in order to avoid solvency margin requirements being circumvented by insurance groups, especially by double gearing of capital and the creation of fictitious capital using another undertaking in the same group. The Directive merely establishes supervisory mechanisms and does not introduce any new capital requirements for insurance undertakings. Specifically, the Directive provides for supplementary supervision of any insurance undertaking which is the parent company of at least one insurance undertaking, reinsurance undertaking or third country insurance undertaking, together with supplementary supervision, using different methods, of any insurance undertaking whose parent company is an insurance holding company, reinsurance undertaking, third country insurance undertaking or mixed activity insurance holding company. The Directive introduces three methods, considered as prudentially equivalent, for calculating the adjusted solvency of insurance undertakings. The Directive stipulates that the competent authorities must have access to any information which is relevant for the purposes of supplementary supervision. The competent authorities may likewise supervise certain types of intragroup transactions. The Commission will submit a report on the application of the Directive and on any need for further harmonisation to the insurance committee by 1 January 2006. ENTRY INTO FORCE: 5 December 1998 DEADLINE FOR TRANSPOSITION: 5 June 2000.