EU - US Agreement on insurance and reinsurance

Brussels, 22 September 2017

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1. THE AGREEMENT

Why is the EU signing this Agreement?

The Agreement will principally benefit EU reinsurers active in the USA by progressively removing collateral requirements. For several decades, EU reinsurers have had to post collateral when signing reinsurance contracts in the US, while US reinsurers are not subject to such requirements. The volume of collateral posted by EU reinsurers amounts to USD 40 billion today, which could be invested in more productive parts of the economy. This represents opportunity costs of USD 400 million a year. The Agreement will also benefit EU insurance and reinsurance groups active in the US by clarifying responsibilities for worldwide group supervision.

How will the EU ensure the proper implementation of the Agreement?

The EU and US sides will regularly meet within a Joint Committee to discuss the implementation of the Agreement. The Agreement foresees a mechanism of consultation in case of differences. Both Parties will be encouraged to implement the Agreement so that their industry to benefit from preferential supervisory practices.

When will the Agreement be applied?

Certain parts of the Agreement, such as on group supervision and the establishment of a Joint Committee, will be 'provisionally applied' swiftly following the signature. Following the consent of the European Parliament and Council, the Agreement will fully apply for both sides 60 months after signature.

2. REINSURANCE

When will the US side eliminate the collateral requirements?

Through the Agreement, the US committed to encourage the US states to eliminate collateral requirements as from signature and provisional application of the Agreement. Collateral requirements shall be removed within 60 months after signature of the Agreement.

What are the conditions for reinsurers to benefit from the Agreement?

Reinsurers have to fulfil a number of financial strength and business conduct conditions, specifically listed in the Agreement.

Will the Agreement benefit all reinsurance contracts?

The Agreement will benefit reinsurance contracts which are entered into, amended or renewed after the date of effect of collateral elimination in the US state concerned. Reinsurance contracts are typically renewed on an annual basis, so after one year all reinsurance contracts should be covered.

Do EU reinsurers have to commit to a local presence in the US to benefit from the collateral removal?

No. The Agreement foresees no such obligation in exchange of the removal of collateral. On the contrary, the Agreement ensures the removal of any existing local presence requirement as well as a commitment not to introduce any such requirement.

3. GROUP SUPERVISION

What are the benefits of the Agreement for EU insurance and reinsurance groups?

EU supervisors will be fully in charge of worldwide group supervision of EU groups active in the USA. This means for instance that EU groups will have to submit only one group-level Own Risk and Solvency Assessment (ORSA), to their group supervisor in the EU. The US supervisors will use it and not require a local ORSA from this group.

What are the main benefits of the Agreement for US insurers and reinsurers?

US groups active in the EU will not be subject to Solvency II requirements at the level of the ultimate parent undertaking for their non-European activities. In addition, there will be no more requirements for US reinsurers active in the EU to establish a local presence in the EU.

4. EXCHANGE OF INFORMATION BETWEEN SUPERVISORS

How will EU consumers, insurers and reinsurers benefit from the increased exchange of information between EU and US supervisors under the Agreement?

Increased information flows between EU and US supervisors will reduce the need to collect information twice from EU insurers or reinsurers active in the USA, while respecting adequate confidentiality rules. EU consumers will also be better protected as supervisors will have better access to supervisory information on US groups active in the EU.

The Agreement contains model provisions for possible future memorandum of understanding on exchange of information between supervisory authorities.

MEMO/17/3426

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