



OECD instruments on reinsurance

**III Conference on Insurance Regulation
and Supervision in Latin America**

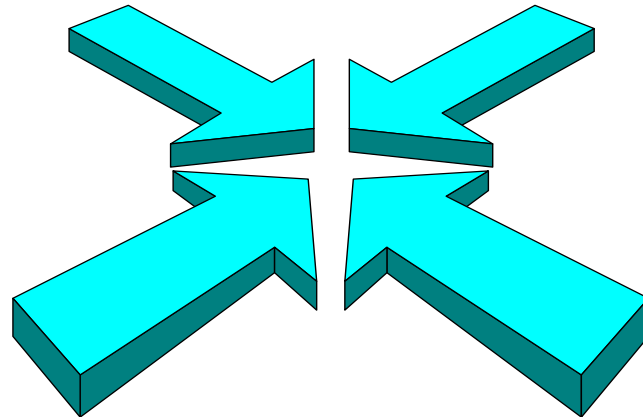
Panel IV:

Analysis and Evaluation of Policies and
Procedures for Reinsurance

Cécile Vignial, OECD

1. OECD Recommendation on the assessment of reinsurance companies (1998)

Information to be collected by direct insurers on their reinsurers




1.1. Rationale of the OECD Recommendation on the assessment of reinsurance companies

- It is the responsibility of the insurance companies to assess the soundness of the reinsurance companies to which they cede insurance risks and to identify the information they need to this end**
- Some guidance on approaches to this assessment may however be needed**
- Such guidance should not be considered either as mandatory or as exhaustive**
- Application of such guidance should not discriminate between reinsurance companies from different Member countries**

1.2. Council Recommendation

The OECD Council recommends that Member countries:

- invite insurance companies under their supervision to take all appropriate steps to assess the soundness of reinsurance companies to which they cede or propose to cede business having regard to the contents of the Annex to this Recommendation of which it forms and integral part

- 
- invite reinsurance companies under their supervision, or established within their territory, to provide, on request, information to insurance companies, which will assist the latter in making assessments.



The OECD Council invites:

- non-member countries to take account of the terms of this Recommendation.

Annex: List of relevant indicators

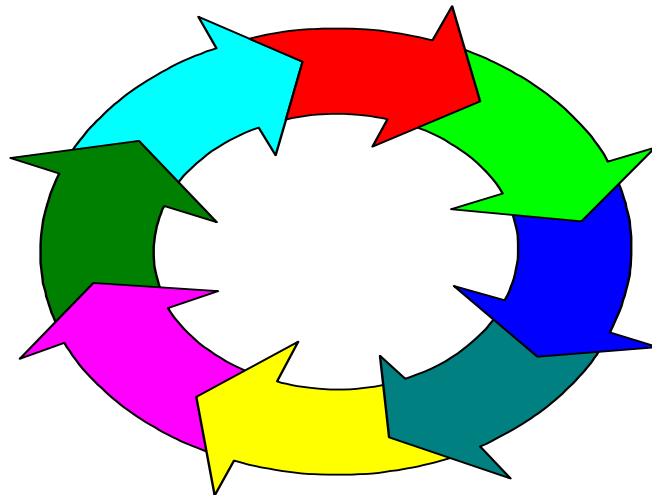
- legal and statutory framework
- structural indicators
- management
- performance indicators
- technical provisions and solvency
- investments

The emergence of new issues

- The lack of general standards or principles becomes a matter of concern
- There is an increased awareness of the risk arising from the activities of reinsurers
- The importance of a better information exchange system among supervisors has become evident

2. The OECD Decision on the exchange of information on reinsurers

Exchange of prudential information on reinsurers between supervisors



2.1. Parties to the Decision

- Member countries
- Non-Member countries, upon approval of the OECD Council on the basis of a recommendation of the IC
- Information will be exchanged between *national coordinators*, identified by each Participant
- Countries where reinsurance activities are not supervised will take part in the Decision. Incidentally, they will gather information from other participants to the Decision - this could prove useful if these countries contemplate the possibility of supervising certain or all aspects of reinsurance activities in the future

2.2. Scope of the decision

Definition of reinsurers covered by the Decision

What kind of legal entities are covered by the Decision?

- A. “reinsurance entities”: legal entities *other than an insurance company* whose main activity consists in accepting risks ceded by insurance or other reinsurance legal entities
- B. “reinsurers”: reinsurance entities *and insurance companies designated by the participants* whose main activity includes significant issuance of reinsurance coverage

Conditions related to establishment

- Reinsurers established (1) in the territory of a Participant to the Decision
- Reinsurers not established in the territory of a participant, on which a participant has gathered relevant information through the supervision of other insurance or reinsurance entities or through other reliable means

(1) as head office, subsidiary or branch

2.2. Scope of the Decision

- **What kind of information should be exchanged?**

Confidentiality has been among the most sensitive issues in the design of this agreement - for obvious commercial and prudential reasons



Information availability

- Information exchanged may or may not be already publicly available in the country where the reinsurer is established
- Exchange of information may therefore require the Participant providing the information to apply its own confidentiality requirements as defined by domestic laws and regulations



Information accuracy

- Information is exchanged in good faith
- It is gathered by the regulatory and supervisory authorities and, as such, offers a great degree of credibility.

However,

- Participants can not be held legally responsible for the accuracy of information provided

2.3. Provision of information

Who takes the initiative to request or provide information depends on the importance of the information in a prudential perspective

Provision of information by the country where the reinsurer is established

a) Upon request of another country:

- Information publicly available in the country of establishment
- Information not publicly available, in accordance with national confidentiality requirements

b) On own initiative basis:

- any information deemed relevant for prudential reasons in the country of establishment

c) Systematically through the OECD website:

- Fraud, insolvency, limitation of activities

2.4. Procedural issues

- Any automatically transmitted information will be deleted after six months
- A consultation procedure of the country where the reinsurer has its head office provides an opportunity to collect additional information...
- Practical modalities concerning the annexes of the Decision will be defined by the Insurance Committee.
- The implementation of this decision will be assessed in 3 years

2.5. Contents of annexes

Annexes will comprise :

- the list of the national co-ordinators
- an illustrative list of the categories of information which could possibly be exchanged
- a list of the confidentiality rules prevailing in participating countries