OECD Promotes Information Exchange in Reinsurance Sector to Protect Market Integrity

OECD governments are to make a concerted effort to improve transparency and protect integrity in the insurance market by exchanging information on matters relating to the activities and solvency of reinsurers.

Under a newly published decision, regulatory and supervisory authorities in all 30 OECD countries will exchange information deemed relevant for prudential reasons. Moreover, a specially created network hosted on the OECD website will allow for information exchange exclusively related to:

- fraud related to the conduct of reinsurance business, such as fraudulent activities stated by public prosecutors and competent courts, or relevant states of proceedings;
- insolvency: i.e. cases in which a reinsurer is determined by a relevant supervisor or administrative body to be insolvent under the laws of the jurisdiction concerned, including receivership and administrative supervision;
- limitations of activities, such as run off or limitation of free disposal of assets.

Exchange of such sensitive information, provided under conditions of confidentiality, will play the role of an early warning system for governmental authorities.

Reinsurance firms perform an important business function by providing wholesale cover for the risks assumed by insurance companies on behalf of their clients. Besides insuring insurers, reinsurers are also major financial intermediaries and institutional investors. Their integrity is essential to the stability of the financial sector. They operate in a global market where their activities are often not subject to prudential oversight.

Insurance is of fundamental importance to many business sectors, from air transport and tourism to real estate and engineering. By improving their oversight of reinsurance companies, OECD governments aim to ensure that insurance firms under their supervision can fulfill their commitments towards policyholders in the event of claims. This in turn requires that the claims held by such insurance companies on their reinsurers are recoverable.
Increased claims following a string of catastrophes, including the terrorist attacks of 11 September 2001 in the U.S. and damage caused by recent floods, as well as recent sharp falls in stock markets, have raised concerns about insurance and reinsurance companies' ability to cope with major claims in the future. The information exchange agreement is part of a drive by OECD governments to ensure the maintenance of an effective and functioning insurance market in the face of such concerns.

The information exchange agreement is binding on all OECD countries and can be extended by invitation to other participants as well. The full text of the OECD Decision is available on the OECD website at www.oecd.org/daf/insurance-pensions/. For further information, journalists are invited to contact André Laboul, OECD's Financial Markets Division (tel. [33] 1 45 24 91 27 or andre.laboul@oecd.org).