



Insurance Services 2021

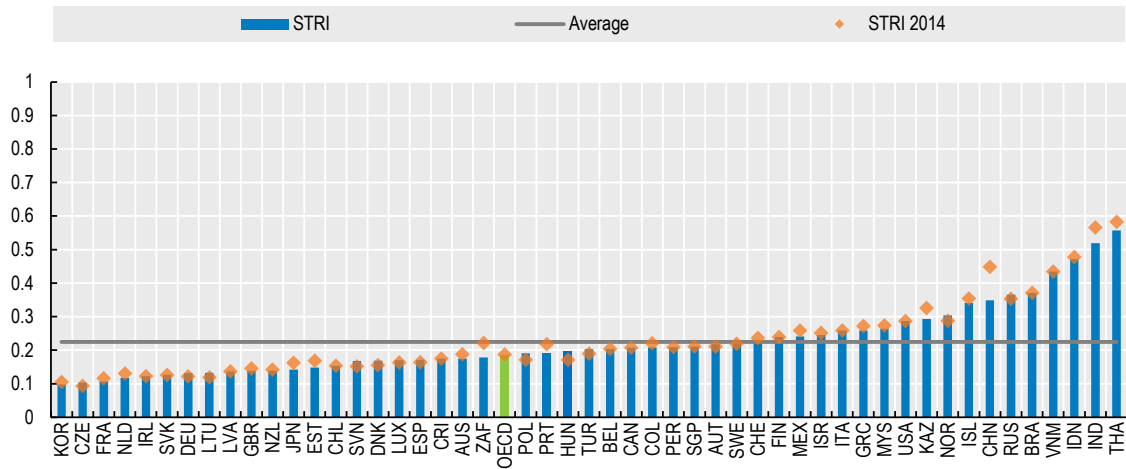
Key findings

- The average 2021 STRI in the insurance sector is 0.23 out of a maximum of 1 (most trade restricted) indicating a relatively low overall level of restrictiveness. However, individual country scores diverge considerably, ranging between 0.10 and 0.57.
- The best performing countries in the sector are the Czech Republic, Korea and France. Most regulatory changes in 2021 were recorded in the United Kingdom, New Zealand and the Russian Federation.
- Restriction on foreign entry are the main drivers of trade restrictiveness in the sector, with contributions to the total index values of 49% in OECD economies and 55% in non-OECD economies.
- OECD estimates suggest that halving the distance to best practice in this sector is associated with a reduction in the costs of cross-border trade in insurance services between 10% and 18% for the average country included in the STRI database.

Insurance services (ISIC Rev 4, codes 651 and 652) comprise life insurance, property and casualty insurance, reinsurance and auxiliary services. Private health insurance and private pensions are not covered. Major exporters are the United States, the United Kingdom and Ireland. Efficient insurance services are one of the backbones of dynamic economies, providing firms with risk management tools and channelling savings towards long-term investment. It should be noted that insurance is a heavily regulated sector for the purpose of maintaining the stability and soundness of the financial system. Prudential rules and standards are set by national governments and regulators as well as international financial standard-setting bodies. The STRI does not seek to define the scope or nature of what measures would be considered prudential, but aims to record in an objective and comparable manner the state of legal and regulatory impediments faced by foreign insurers.

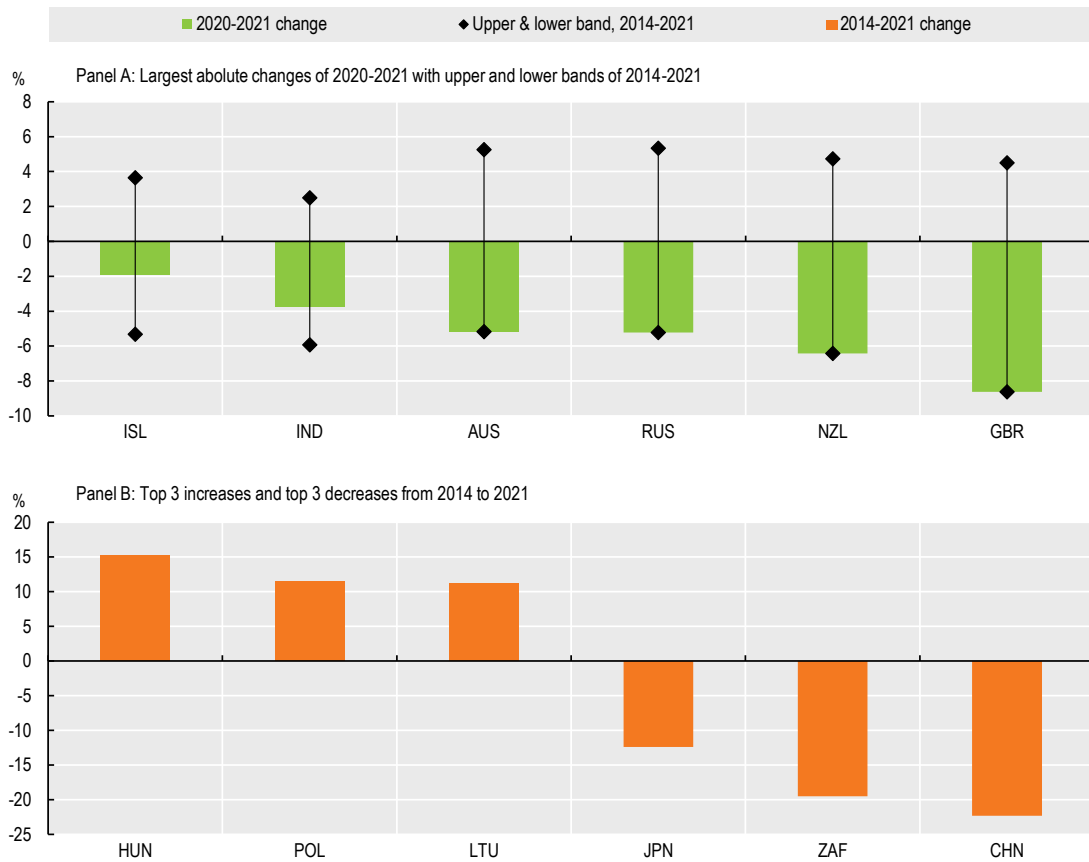
The 2021 STRIs in the insurance sector range between 0.10 and 0.57, with a sample average of 0.23 (Figure 1). There are 32 countries below and 18 countries above the average. The best performing countries in the sector are Korea, the Czech Republic and France.

Figure 1. STRI in insurance services, 2021



Note: The STRI indices take values between zero and one, one being the most restrictive. The indices are based on laws and regulations in force on 31 October 2021. The STRI regulatory database covers the 38 OECD countries, Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russian Federation, Singapore, South Africa, Thailand, and Viet Nam. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law. Source: OECD STRI database (2021).

Figure 2. Change since 2014 and change in the last year, by country

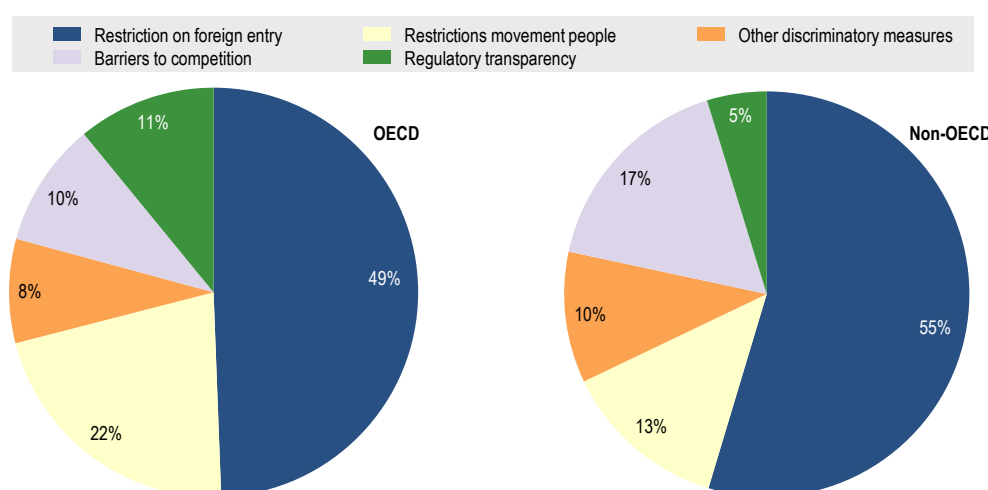


Note: Selection criteria for Panel A was based on largest absolute changes since 2020. Panel B selection is the three largest increases, and the three largest decreases in the STRI since 2014. Source: OECD STRI database (2021).

Several countries introduced regulatory changes affecting the STRIs in 2021 and more so since 2014 (Figure 2). In 2021, the STRIs in this sector saw the biggest changes in Iceland (-2%), India (-4%), Australia (-5%), the Russian Federation (-5%), New Zealand (-6%), and the United Kingdom (-9%). Since 2014, on the one hand, we have observed countries that have had the strongest restrictive trends such as Hungary (15%), Poland (11%) and Lithuania (11%). On the other hand, we have strong liberalising trends in Japan (-12%), South Africa (-19%), and China (-22%).

The measures in the STRI database are organised under five policy areas (Figure 3). Restrictions on foreign entry include barriers related to establishing and operating companies such as foreign equity limits or requirements on board of directors and cross-border data flows. Restrictions on the movement of people cover barriers that affect the temporary entry of foreign services providers through quotas, labour market tests and short durations of stay. Other discriminatory measures include discrimination of foreign services suppliers as far as taxes, subsidies and public procurement are concerned. Barriers to competition include information on anti-trust policy, government ownership of major firms and the extent to which government-owned enterprises are exempt from competition laws. Regulatory transparency includes information on consultations and dissemination prior to laws and regulations entering into force. It also records information on obtaining a license or a visa. In this sector, barriers related to restrictions on foreign entry are most prominent and amount to 49% in OECD economies and 55% in non-OECD economies.

Figure 3. STRI policy areas for insurance services by OECD and non-OECD economies, 2021



Source: OECD STRI database (2021)

Table 1 lists the most common restrictions identified in each policy area. Under restrictions on foreign entry, common impediments relate to a requirement to establish a local presence or a commercial presence, cross-border data flows, and local availability tests for cross-border trade. Restrictions to the movement of people are relatively common across the board and include mostly short permitted durations of initial stay and labour market tests. A license or authorisation is required to practice as insurance broker or actuary in the majority of countries. Under other discriminatory measures, barriers related to accessing public procurement markets for foreign tenderers remain the most common challenge. Few countries impose mandatory cessions to domestic reinsurers. Regarding barriers to competition, state-owned enterprises still play an important role in one third of the countries. Similar magnitude have problems due to a lack of independent funding for the supervisor and the possibility to overturn decisions of the regulatory body. Related to transparency in the licensing process, there is no maximum time for decisions on applications in eleven countries and applicants must not be informed about reasons for the denial of licenses in eight countries.

Table 1. Top 5 most relevant measures by policy area, 2021

Policy area	Measure	Countries having a restriction ¹
Restrictions on foreign entry	Local presence is required for cross-border supply	48
	Commercial presence is required in order to provide cross-border services	46
	Cross-border data flows: cross-border transfer of personal data is possible to countries with substantially similar privacy protection laws	42
	Local availability test for cross-border trade	37
	There are limits to the proportion of shares that can be acquired by foreign investors in publicly-controlled firms	12
Restrictions to movement of people	Memo: Licence or authorisation is required to practice	43
	Limitation on duration of stay for contractual services suppliers (months)	38
	Labour market tests: intra-corporate transferees	37
	Labour market tests: contractual services suppliers	36
	Memo: Licence or authorisation is required to practice	35
Other discriminatory measures	Public procurement: Procurement regulation explicitly prohibits discrimination of foreign suppliers	43
	Discriminatory financial requirements on foreign reinsurance suppliers	25
	Public procurement: Explicit preferences for local suppliers	24
	Public procurement: The procurement process affects the conditions of competition in favour of local firms	24
	Mandatory cessions to domestic reinsurers	7
Barriers to competition	National, state or provincial government control at least one major firm in the sector	20
	The government has discretionary control over funding of the supervisory agency	18
	The government can overrule the decisions of the supervisor	17
	Restrictions on advertising	7
	Decisions by the regulatory body can be appealed	1
Regulatory transparency	Range of visa processing time (days)	28
	Number of documents needed to obtain a business visa	26
	There is a maximum time allowed to the regulator for decisions on applications	11
	Applicants must be informed of the reasons for denial of Licences	8
	Licences are allocated according to publicly available criteria	2

Notes 1. The count for "memo" type of measures, which are not scored in the STRI, indicate the number of positive answers recorded for that measure across the 50 countries covered

Top most relevant measures are selected on the basis of the following criteria: (1) most restricted horizontal measures (i.e. same answer across sectors), (2) most restricted sector-specific measures, (3) key measures or (4) memos affecting the score of other measures through hierarchy rules.

Source: OECD STRI database (2021)

More information

- » Access all country notes, sector notes, and interactive STRI tools at <http://oe.cd/stri>.
- » Read more about services trade policies and their impacts in [Services Trade Policies and the Global Economy](#).
- » Benz, S. and A. Jaax (2020), "The costs of regulatory barriers to trade in services: New estimates of *ad valorem* tariff equivalents", *OECD Trade Policy Papers*, No. 238, OECD Publishing, Paris, <https://doi.org/10.1787/bae97f98-en>.
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org.