

Insurance Accounting Directive

These slides accompany the explanation of the acquis to Albania and North Macedonia and can only be used for that purpose. Their content is subject to further development of the acquis and interpretation by the Court of Justice of the European Union

**Insurance and Pensions Unit,
European Commission**

Objectives of the Directive

Why a Directive for insurance undertakings (91/674/EEC)?

- ❖ **Specificities of insurance activities better dealt with in a separate Directive (but this Directive deals only with derogations from the rules laid down in the Accounting Directives 2013/34/EU)**
- ❖ **Important cross-border activities and better comparability across Member States needed**
- ❖ **Scope of application = scope of the Insurance Directives (Directive 73/239/EEC and Directive 2009/138/EC (Solvency II))**

Key content of Directive 91/674/EEC

What does the Directive prescribe?

- ❖ **Defines the scope of application**
- ❖ **Prescribes the layout of the balance sheet**
- ❖ **Prescribes the layout of the profit and loss account**
- ❖ **Requires the disclosure of the current value of investments**
- ❖ **Prescribes the content of the notes on the accounts**

Provisions of Directive 91/674/EEC

Scope of the Directive?

- ❖ **Insurance undertakings regulated by Directive 73/239/EEC and Directive 2009/138/EC**
- ❖ **Proportionality principle applies (small mutual entities exempted by Directive 73/239/EEC and Directive 2009/138/EC)**

Provisions of Directive 91/674/EEC

Layout of the balance sheet?

❖ **Common layout for the balance sheet, including at least the following main items:**

- ❖ Investments
- ❖ Investments for the benefit of life-assurance policyholders who bear the investment risk
- ❖ Capital and reserves
- ❖ Subordinated liabilities
- ❖ Technical provisions
- ❖ Technical provisions for life-assurance policies where the investment risk is borne by the policyholders
- ❖ Deposits received from reinsurers

Provisions of Directive 91/674/EEC

Layout of the profit and loss account?

- ❖ **Common layout for the profit and loss account, including at least the following main items:**
 - ❖ Earned premiums
 - ❖ Claims incurred
 - ❖ Investment income/charges
 - ❖ Unrealized gains/losses on investments
 - ❖ Other changes in technical provisions
 - ❖ Taxes

- ❖ **Distinction required between non-life insurance, life insurance and non-technical accounts**

Provisions of Directive 91/674/EEC

Valuation rules applicable to investments?

- ❖ Member States may require or permit the valuation of investments on the basis of their current value.
- ❖ Investments for the benefit of life-insurance policyholders who bear the investment risk, shall be shown at their current value.
- ❖ Where investments are shown at their current value, their purchase price shall be disclosed in the notes on the accounts.
- ❖ Current value shall mean market value.

Provisions of Directive 91/674/EEC

Content of the note to the accounts?

❖ **Insurance undertakings shall provide the following main particulars:**

- ❖ Non-life: gross premiums written, gross premiums earned, gross claims charges, operating expenses, reinsurance balance; broken down between main categories of insurance (accident, motor, fire, etc.)
- ❖ Life-insurance: gross premiums written, reinsurance balance; broken down between main categories of insurance (periodic premium, single premium, premiums from contracts where the investment risk is borne by policyholders, etc.)
- ❖ Geographical distribution of total gross direct insurance premiums (Member State of the head office, other Member States and other countries)
- ❖ Total amount of commissions for direct insurance

**Thank you for your attention.
Any questions?**