insurance europe

Press statement

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Protectionism continues to create dangerous risk concentrations

Jurisdictions that adopt protectionist measures in (re)insurance can dangerously concentrate risk in their own economies. In a new insight briefing on protectionism, Insurance Europe, the European insurance federation, sets out examples of current protectionist measures and the problems they create for the very economies they seek to protect.

An example of commonly used protectionist measures are compulsory cessions, or "rights of first refusal". These oblige local insurers to cede their risks to local, often state-owned, reinsurers. They are in force or under consideration in a wide range of African, South American and Asian countries.

Cristina Mihai, head of prudential regulation and international affairs at Insurance Europe, commented: "These kinds of protectionist measures remain a major risk for the jurisdictions that implement them. This is because they concentrate risk in the jurisdiction's economy, rather than allowing it to be spread throughout the global reinsurance market, which is only possible if markets are open."

Many protectionist practices also go against the spirit of free trade agreements that various jurisdictions have in place. This is why Europe's (re)insurers engage with the European institutions to help identify such practices, so that they can be addressed at an international level.

Mihai said: "It is hoped that these kinds of issues will be addressed by EU policymakers in forthcoming discussions on possible trade agreements, as well as in regulatory dialogues with other jurisdictions."

The briefing also notes that, while some countries are taking positive steps towards opening their markets, these steps are often limited, both in terms of scope and ambition. For example, Argentina recently introduced highly welcomed reforms that will gradually re-open the reinsurance market; however, a complete liberalisation is not yet foreseen.

Mihai added: "By opening their markets to foreign (re)insurers, jurisdictions can benefit their domestic markets in several ways. These include wider access to operational expertise, skills and discipline in underwriting, access to a wider range of products, a strong risk management culture, technological developments and training. All these elements can benefit other companies and sectors, and hence the economy."

The full briefing is available here.

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Notes for editors

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