Press release

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Protectionist (re)insurance restrictions create barriers to economic growth and can increase concentration risk

Restricting access to foreign (re)insurers can increase costs for domestic insurers and policyholders

Protectionist policies against foreign (re)insurers by jurisdictions can create concentration risks in their economies and restrict the development of their (re)insurance markets, according to Insurance Europe, the European insurance and reinsurance federation.

In an insight briefing published today, Insurance Europe outlined several examples of where jurisdictions are adopting protectionist measures to limit the involvement of foreign (re)insurers in their domestic markets.

Cristina Mihai, head of international affairs and investments at Insurance Europe, commented: "While jurisdictions may believe that protectionism will enable their domestic market players to grow, in reality it could endanger their entire economies. This is because, when a significant loss event occurs, that loss will have to be borne exclusively by the domestic market, rather than spread out over the international (re)insurance market."

Moreover, in addition to capital, foreign (re)insurers bring operational expertise, skills and discipline in underwriting, access to a wider range of products, a strong risk management culture, technological developments and training, all of which can benefit other companies and sectors.

Mihai added: "Limiting domestic insurers' access to foreign reinsurance could constrain their ability to manage their risk exposures and capital requirements. This could increase costs for both insurers and their customers. Such a move could also result in the accumulation of risks by insurers faced with less interesting opportunities to cede risks, therefore potentially compromising their underwriting performance."

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Notes for editors

1. For further information, or to be added to our mailing list, please contact Richard Mackillican, policy advisor communications & PR (tel: +32 2 894 30 69, mackillican@insuranceeurope.eu).
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