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## **Progress report on implementation of EU legislation in Accession Countries**

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## **1. INTRODUCTION**

In previous years<sup>1</sup> the IC has regularly reviewed progress with the implementation of EU insurance legislation by accession countries. Earlier meetings had observed that while progress with the implementation of insurance legislation had originally been lacking behind that of banking, accession countries were now focussing greater resources on insurance. Members also identified that implementing legislation was not sufficient; accession countries needed to develop the administrative capacity to correctly apply EU legislation. To that end Member States were assisting accession countries through peer review processes. Most recently, at the 31<sup>st</sup> Meeting of the IC in November 2002 Member States repeated the importance of a proper and thorough monitoring of the implementation of EU insurance legislation.

This paper briefly reviews current progress both at a general and at a more detailed level and draws some conclusions.

## **2. GENERAL SITUATION**

During 1999-2002 the Commission Services completed their "first wave" analysis of the EU insurance acquis in the Accession Countries. Since then the Commission Services have been in close contact with accession countries. The objective is to check how the remaining gaps are being addressed in the relevant national legislation so that a "second wave" analysis can be completed by the autumn of 2003. Time is now running very short.

While good progress has been achieved, it must be said that progress has not been as rapid as originally hoped. With the exception of one country (Slovenia), there still remain gaps of varying dimension to be closed. In many cases, comprehensive national legislation implementing the full insurance EU directives has still to be adopted. The Commission is trying to accelerate its analysis by the examination of draft laws. However, in many cases work is hindered by the absence of the corresponding translations. Furthermore, as Member States have highlighted, once the final texts are received, the quality of the legal transposition will have to be checked so that a proper and thorough monitoring of the implementation can be carried out.

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<sup>1</sup> For example at the 29<sup>th</sup>, 30<sup>th</sup>, and 31<sup>st</sup> IC meetings.

### 3. DETAILED ASSESSMENT

A detailed assessment of implementation is not possible until the second wave analysis has been completed. Current work is still held up pending receipt of many texts and translations. However, based on the work completed to date it is possible to provide an initial assessment of the detailed situation and draw some conclusions.

Analysis of the implementation of the EU insurance legislation has been divided into four blocks:

- Life Assurance (Directive 2002/83/EC recast version)
- Non-Life Insurance (Directives 73/239, 88/357, 92/49)
- Motor Insurance (Directives 72/166, 84/5, 90/232, 2000/26)
- Insurance Accounts Directive (Directives 78/660, 83/349, 91/674)

Of the four blocks, detailed implementation of the Insurance Accounts Directive appears the most satisfactory, the situation for the Life and non-Life Directives is comparable, while the position for the Motor Insurance Directives is the least advanced, particularly in relation to concluding the necessary agreements to participate fully in the 'green card' system. In fact at the current time, unless a rapid improvement is observed, failure to properly transpose the Motor Insurance Directives remains a possibility in up to half-a-dozen or so of the accession countries (Poland, Estonia, Latvia, Lithuania, Malta, Slovakia). A particular problem is that the procedural conclusion of the necessary agreements under the green card system requires some time.

At the level of individual countries, although the degree of implementation varies, there is a broad band of countries in a comparable position. However, there are a couple of countries that seem to be seriously lagging behind other accession countries (Poland, Latvia and Lithuania). Unless remedial action is taken, this is a major cause for concern. On the positive side, there is one country where implementation is almost complete (Slovenia).

At the level of the implementation of the specific individual rules, one Member State has drawn attention to the need to ensure rapid implementation of the rules on professional secrecy.

#### **4. REMEDIAL ACTION**

To accelerate the second analysis mentioned above, the Commission Services have asked the Accession Countries to provide English translations of new legislation which has not yet been provided. In addition, expert level contacts and also possibly further meetings in Brussels may be needed in the coming months.

The peer review process and cooperation between supervisors from existing and new EU member states has provided positive input to the enlargement process. Although the follow-up peer reviews are for the most part already finished, the final reports are still under preparation. The assessments made in these reports will be taken into account when the Commission Services make their final conclusions.

Accession countries should be strongly encouraged to complete as rapidly as possible their implementation of the outstanding EU insurance legislation.

#### **5. CONCLUSIONS**

In order to avoid a raft of infringement procedures in May 2004 and the possible introduction of safeguard measures, prompt action is required now. To this end accession countries should be strongly encouraged to rapidly implement outstanding EU insurance legislation.

A particular area for concern is the low state of readiness with regard to the Motor Insurance Directives. The group of half-a-dozen countries mentioned above are not yet participating fully in the 'green card' system for third party liability insurance. While the objective must be to try and avoid border controls, continued non-membership of the 'green card' system may make this inevitable.

#### ***Questions:***

- 1. Do members have any comments on the progress report?***
- 2. Are there any particular problem areas, to which members wish to draw attention?***
- 3. In what ways could members and the Commission further assist the accession countries?***