

Council Directive of 19 December 1991 on the annual accounts  
and consolidated accounts of insurance undertakings (91/674/EEC)

COUNCIL DIRECTIVE

of 19 December 1991

on the annual accounts and consolidated accounts of insurance undertakings

(91/674/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 54 thereof,

Having regard to the proposal from the Commission<sup>(1)</sup>,

In cooperation with the European Parliament<sup>(2)</sup>,

Having regard to the opinion of the Economic and Social Committee<sup>(3)</sup>,

Whereas Article 54 (3) (g) of the Treaty requires coordination to the necessary extent of the safeguards which, for the protection of the interests of members and others, are required by Member States of companies and firms within the meaning of the second paragraph of Article 58 of the Treaty, with a view to making such safeguards equivalent throughout the Community;

Whereas Council Directive 78/660/EEC of 25 July 1978 based on Article 54 (3) (g) of the Treaty on the annual accounts of certain types of companies<sup>(4)</sup>, as last amended by Directive 90/605/EEC<sup>(5)</sup>, need not be applied to insurance companies, hereinafter referred to as 'insurance undertakings', pending further coordination; whereas, in view of the major importance of insurance undertakings in the Community, such coordination cannot be delayed any longer following the implementation of Directive 78/660/EEC;

Whereas Council Directive 83/349/EEC of 13 June 1983 based on Article 54 (3) (g) of the Treaty on consolidated accounts<sup>(6)</sup>, as last amended by Directive 90/605/EEC, provides for derogations for insurance undertakings only until the expiry of the deadline imposed for the application of this Directive; whereas this Directive must therefore also include provisions specific to insurance undertakings in respect of consolidated accounts;

Whereas such coordination is also urgently required because insurance undertakings operate across borders; whereas for creditors, debtors, members, policyholders and their advisers and for the general public, improved comparability of the annual accounts and consolidated accounts of such undertakings is of crucial importance;

Whereas in the Member States insurance undertakings of different legal forms are in competition with each other; whereas undertakings engaged in the business of direct insurance customarily engage in the business of reinsurance as well and are therefore in competition with specialist reinsurance undertakings; whereas it is therefore appropriate not to confine coordination to

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the legal forms covered by Directive 78/660/EEC, but to choose a scope that corresponds to that of Council Directive 73/239/EEC of 24 July 1973 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct insurance other than life assurance<sup>(7)</sup>, as last amended by Directive 90/618/EEC<sup>(8)</sup>, and to that of Council Directive 79/267/EEC of 5 March 1979 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct life assurance<sup>(9)</sup>, as last amended by Directive 90/619/EEC<sup>(10)</sup>, but which also includes certain undertakings that are excluded from the scope of those Directives and companies and firms which are reinsurance undertakings;

Whereas, although in view of the specific characteristics of insurance undertakings it would appear appropriate to propose a separate Directive on the annual accounts and consolidated accounts of such undertakings, that does not necessarily require the establishment of a set of standards different from those of Directive 78/660/EEC and 83/349/EEC; whereas such separate standards would be neither appropriate nor consistent with the principles underlying the coordination of company law since, given the important position they occupy in the Community economy, insurance undertakings cannot be excluded from a framework of rules devised for undertakings generally; whereas, for this reason, only the particular characteristics of insurance undertakings have been taken into account and this Directive deals only with derogations from the rules laid down in Directives 78/660/EEC and 83/349/EEC;

Whereas there are major differences in the structure and content of the balance sheets of insurance undertakings in different Member States; whereas this Directive must therefore lay down the same structure and the same item designations for the balance sheets of all Community insurance undertakings;

Whereas, if annual accounts and consolidated accounts are to be comparable, a number of basic questions regarding the disclosure of certain transactions in the balance sheet must be settled;

Whereas, in the interests of greater comparability, it is also necessary that the content of the various balance sheet items be determined precisely;

Whereas it may be useful to distinguish between the commitments of the insurer and those of the reinsurer by showing in the assets the reinsurer's share of technical provisions as an asset;

Whereas the structure of the profit and loss account should also be determined and certain items in it should be defined;

Whereas, given the specific nature of the insurance industry, it may be useful for unrealized gains and losses to be dealt with in the profit and loss account;

Whereas the comparability of figures in the balance sheet and profit and loss account also depends basically on the values at which assets and liabilities are shown in the balance sheet; whereas for a proper understanding of the financial situation of an insurance undertaking the current value of investments as well as their value based upon the principle of purchase price or production cost must be disclosed; whereas, however, the compulsory disclosure of the current value of investments, at least in the notes on the accounts, is prescribed solely for purposes of comparability and transparency and is not intended to lead to changes in the tax treatment of insurance undertakings;

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Whereas in the calculation of life assurance provisions use may be made of actuarial methods customarily applied on the market or accepted by the insurance-monitoring authorities; whereas those methods may be implemented by any actuary or expert in accordance with the conditions which may be laid down in national law and with due regard for the actuarial principles recognized in the framework of the present and future coordination of the fundamental rules for the prudential and financial monitoring of direct life assurance business;

Whereas, in the calculation of the provision for claims outstanding, on the one hand, any implicit discounting or deduction should be prohibited, and, on the other hand, precise conditions for recourse to explicit discounting or deduction should be defined, for the sake of prudence and transparency;

Whereas, in view of the special nature of insurance undertakings, certain changes are necessary with regard to the notes on annual accounts and on consolidated accounts;

Whereas, in line with the intention of covering all insurance undertakings that come within the scope of Directive 73/239/EEC and 79/267/EEC as well as certain others, derogations such as those for small and medium-sized insurance undertakings in Directive 78/660/EEC are not provided for, but certain small mutual associations which are excluded from the scope of Directives 73/239/EEC and 79/267/EEC should not be covered;

Whereas for the same reasons the scope allowed Member States pursuant to Directive 83/349/EEC to exempt parent undertakings of groups from compulsory consolidation if the undertakings to be consolidated do not together exceed a certain size has not been extended to insurance undertakings;

Whereas in view of its particular nature special provisions are needed for the association of underwriters known as Lloyd's;

Whereas the provisions of this Directive also apply to the consolidated accounts drawn up by a parent undertaking which is a financial holding company where its subsidiary undertakings are either exclusively or mainly insurance undertakings;

Whereas the examination of problems which arise in connection with this Directive, in particular regarding its application, requires cooperation by representatives of the Member States and the Commission in a contact committee; whereas, in order to avoid the proliferation of such committees, it is desirable that such cooperation take place in the committee provided for in Article 52 of Directive 78/660/EEC; whereas, however, when examining problems concerning insurance undertakings, the committee must be appropriately constituted;

Whereas, in view of the complexity of the matter, the insurance undertakings covered by this Directive must be allowed an appropriate period to implement its provisions; whereas that period must be extended to allow the necessary adjustments to be made concerning, on the one hand, the association of underwriters known as Lloyd's and, on the other, those undertakings which, when this Directive becomes applicable, show their investments at historical cost;

Whereas provision should be made for the review of certain provisions of this Directive after five years' experience of its application, in the light of the aims of greater transparency and harmonization.

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HAS ADOPTED THIS DIRECTIVE:

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- (1) OJ No C 131, 18. 4. 1987, p. 1.
- (2) OJ No C 96, 17. 4. 1989, p. 93; and OJ No C 326, 16. 12. 1991.
- (3) OJ No C 319, 30. 11. 1987, p. 13.
- (4) OJ No L 222, 14. 8. 1978, p. 11.
- (5) OJ No L 317, 16. 11. 1990, p. 60.
- (6) OJ No L 193, 18. 7. 1983, p. 1.
- (7) OJ No L 228, 16. 8. 1973, p. 3.
- (8) OJ No L 330, 29. 11. 1990, p. 44.
- (9) OJ No L 63, 13. 3. 1979, p. 1.
- (10) OJ No L 330, 29. 11. 1990, p. 50.