

Directive 2005/68/EC of the European Parliament and of the Council of 16 November 2005 on reinsurance and amending Council Directives 73/239/EEC, 92/49/EEC as well as Directives 98/78/EC and 2002/83/EC (Text with EEA relevance) (repealed)

### TITLE III

## CONDITIONS GOVERNING THE BUSINESS OF REINSURANCE

### CHAPTER 2

#### Rules relating to technical provisions

#### *Article 34*

#### **Assets covering technical provisions**

1 The home Member State shall require every reinsurance undertaking to invest the assets covering the technical provisions and the equalisation reserve referred to in Article 33 in accordance with the following rules:

- a the assets shall take account of the type of business carried out by a reinsurance undertaking, in particular the nature, amount and duration of the expected claims payments, in such a way as to secure the sufficiency, liquidity, security, quality, profitability and matching of its investments;
- b the reinsurance undertaking shall ensure that the assets are diversified and adequately spread and allow the undertaking to respond adequately to changing economic circumstances, in particular developments in the financial markets and real estate markets or major catastrophic events. The undertaking shall assess the impact of irregular market circumstances on its assets and shall diversify the assets in such a way as to reduce such impact;
- c investment in assets which are not admitted to trading on a regulated financial market shall in any event be kept to prudent levels;
- d investment in derivative instruments shall be possible insofar as they contribute to a reduction of investment risks or facilitate efficient portfolio management. They shall be valued on a prudent basis, taking into account the underlying assets, and included in the valuation of the institution's assets. The institution shall also avoid excessive risk exposure to a single counterparty and to other derivative operations;
- e the assets shall be properly diversified in such a way as to avoid excessive reliance on any one particular asset, issuer or group of undertakings and accumulations of risk in the portfolio as a whole. Investments in assets issued by the same issuer or by issuers belonging to the same group shall not expose the undertaking to excessive risk concentration.

Member States may decide not to apply the requirements referred to in point (e) to investment in government bonds.

2 Member States shall not require reinsurance undertakings situated in their territory to invest in particular categories of assets.

3 Member States shall not subject the investment decisions of a reinsurance undertaking situated in their territory or its investment manager to any kind of prior approval or systematic notification requirements.

4 Notwithstanding paragraphs 1 to 3, the home Member State may, for every reinsurance undertaking whose head office is situated in its territory, lay down the following quantitative rules, provided that they are prudentially justified:

- a investments of gross technical provisions in currencies other than those in which technical provisions are set should be limited to 30 %;
- b investments of gross technical provisions in shares and other negotiable securities treated as shares, bonds and debt securities which are not admitted to trading on a regulated market should be limited to 30 %;
- c the home Member State may require every reinsurance undertaking to invest no more than 5 % of its gross technical provisions in shares and other negotiable securities treated as shares, bonds, debt securities and other money and capital market instruments from the same undertaking, and no more than 10 % of its total gross technical provisions in shares and other negotiable securities treated as shares, bonds, debt securities and other money and capital market instruments from undertakings which are members of the same group.

5 Furthermore, the home Member State shall lay down more detailed rules setting the conditions for the use of amounts outstanding from a special purpose vehicle as assets covering technical provisions pursuant to this Article.