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15 June 1982

EUROPEAN COUNCIL, BRUSSELS

28/29 JUNE 1982

INSURANCE

Brief by Department of Trade

OBJECTIVE

1. To remind our partners of and to justify our insistence on liberalisation.

POINTS TO MAKE

2. Remain committed to abolishing barriers to free trade in insurance within Community. A Treaty right, and essential part of development of the internal market.

3. Government control of policy conditions and premium rates for business insurance is a major and unjustified barrier.

4. As long as some Member States continue to insist on maintaining such controls, they will prevent adoption of a genuinely liberalising directive. Not prepared, nor should Community be, to accept sham liberalisation.

BACKGROUND

References: None

5. The non-life insurance services directive, which is designed to facilitate cross-frontier insurance of large industrial, commercial and professional (ICP) risks, was

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first proposed by the Commission in 1975, but is still a long way from being agreed. Our insurance industry would gain considerably from a real liberalisation of services and we therefore tried hard to secure agreement on the directive under our Presidency. We did not succeed, largely through the refusal of others to abandon notification and government control of policy conditions and premium rates. This we consider totally unnecessary in respect of ICP business, where policyholders have easy access to expert advice and neither need nor desire government "protection". It was the original central intention of the draft directive that these controls should be abolished for ICP risks, and this remains a fundamental prerequisite of agreement for the UK insurance industry, which thrives on flexibility. Our insurers are adamant that a directive which perpetuated government restrictions would be worse than no directive at all, and could have serious consequences in retaliation from the rest of the world (where our interests, especially in the United States, far outweigh those in the EC).

6. At the Finance Council on 14 June, it again proved impossible to get other Member States to agree to any significant relaxation of their wish to monitor conditions and rates, though there was some progress on another important issue, that of accommodating the French desire to be able to apply VAT to insurance contracts. We therefore remain in a small minority, with the Commission and the Dutch, in insisting on proper implementation of the Treaty. This could lead to accusations that we are being inflexible; if so, the Prime Minister may wish to counter that, on the contrary, we are among the few who are concerned to implement the free Community market in services provided for by the Treaty.

Department of Trade  
15 June 1982

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