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Association Internationale de Droit des Assurances International Association for Insurance Law
Associazione Internazionale de Diritto delle Assicurazioni Asociación Internacional de Derecho de Seguros
Internationale Vereinigung für Versicherungsrecht

Introduction

We are now nearly exactly half way between the last AIDA World Congress and the next to be held in New York in October 2002. It is therefore not too late to start making plans. In particular I hope that all national Chapters will have started to work on preparing their reports on the two themes for the XI World Congress or at least started to think about doing so. It is never too early to start the process, particularly as regards two such meaty subjects as those proposed by the Presidential Council "Alternative compensation mechanism for damages other than those caused by automobile accidents" and by our hosts, the US Chapter of AIDA, "Integration of financial services". The questionnaires on these two themes have already been circulated so all those who are interested should be able to obtain further details from their national Chapters. One also wonders, with the proliferation of websites, if it may not be possible to make use of that medium in the preparation of reports and circulation of questionnaires locally.

John Butler
Honorary President, AIDA

NEWS FROM THE NATIONAL CHAPTERS

Danish Section of AIDA

Seminar on Danish Insurance Contracts Act

On 18 January 2000 the Danish section of AIDA held a very well attended seminar on the forthcoming revision of the Danish Insurance Contracts Act.

The meeting was opened by the member of the Danish parliament who introduced the motion for a resolution to amend the Act. Those attending included both members of the commission responsible for presenting a report on the revision of the Act, professors from Norway, Sweden and Iceland, over 100 insurance lawyers, consumer representatives and the director of the Danish Insurance Ombudsman's office.

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Editorial Board:
Mikael Rosenmejer, President of AIDA, Plesner & Grønborg, Copenhagen; Colin Croly, Secretary-General of AIDA and Michael Mendelowitz, Assistant Secretary-General (Administration), Barlow Lyde & Gilbert, London.

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Board members

At the general assembly of the Danish section of AIDA on 17 May 2000, the following were re-elected to the Board:
–Mikael Rosenmejer (President)
–Henning Jønsson

June Worre resigned from the Board.

The following members were not up for re-election:
–Bo von Eyben, Vice-President
–Jørgen Nørgaard
–Søren Rasmussen
–Søren Theilgaard
–Claus Tønnesen
–Helen Kobaek

Torben Bondrop
Attorney-at-Law, Plesner & Gronborg, Copenhagen

German Section of AIDA

The current members of the national AIDA committee of the German section of AIDA are listed below.

President: Prof Dr Ulrich Hübner, Institut für Versicherungsrecht, Universität zu Köln, Albertus-Magnus-Platz, 50923 Koln

Committee members: Prof Dr Harald Bogs, Prof Dr Meinrad Dreher, Prof Dr Eberhard Eichenhofer, Dr Wilhelm Henning, Dr Knut Hohlfeld, Bernd Honsel, Prof Dr Ernst Klingmüller, Dr Udo Knoke, Prof Dr Egon Lorenz, Prof Dr Bernd Baron von Maydell, Dr Helmut Müller, Prof Dr Fritz Reichert-Facilides, Dr Reinhard Renger, Prof Dr Wulf-Henning Roth, Prof Dr Reimer Schmidt, Prof Dr Manfred Wandt.

Lebanese Section of AIDA

A new Board of Directors has been elected for a term of two years from 9 May 2000:

President	Naji Habis
Vice-President	Adib Tohme
Responsible manager	Fadi Moghaizel
Treasurer	Antoine Sassine
Secretary	Ghassan Souaibi
Accountant	Fadi Khoury
Members	Nady Jazzar
	Rached Rached

Charles Dahdah

News from Portugal

First National Congress on Insurance Law

The First National Congress on Insurance Law was held in Lisbon on 6 and 7 April 2000. It was organised by the Livraria Almedina of Coimbra, one of the most respected publishers in Portugal and the main national publisher of works on law. The Congress was sponsored by Winterthur Portugal and had the full backing of the Portuguese Association of Insurers.

The Congress was co-ordinated by Professor António Moreira and Professor Costa Martins, specialists in the law of insurance contracts, and it served as a forum for reflections on the changes under way in insurance, especially its legal aspects.

The main theme of the Congress was insurance contracts, which is a highly relevant topic in Europe today and above all in Portugal, where the lack of systematisation and codification of rules is ever more apparent. (One of the problems is the co-existence of the Commercial Code of 1888, legally sound but now out of date, and the most recent European Directives.)

The addresses given were grouped under four headings:

I Insurance in the context of the European Union; reforms of the system; interdisciplinary approaches.

II The insurance contract and applicable legislation; conditions of insurance contracts; duties of the parties; risk; the duty to compensate.

III Insurance contracts: (a) the causes of conflict; (b) interpretation.

IV New horizons for the insurance contract; insurers and the sustainability of the social security and welfare system.

There was also an address on the guidelines for reform of insurance law given by Professor Menezes Cordeiro of the University of Lisbon Law School and an address on entrepreneurial ethics in the insurance sector, given by Dr Diamantino Marques, Chairman of the Consultative Committee of the *Instituto de Seguros de Portugal* (the supervisory authority).

These and the other 17 addresses will be published in book form (under the title Proceedings of the First National Congress on Insurance Law).

The main conclusion of the Congress was that it was essential to have a new comprehensive law covering insurance contracts.

Manuel Guedes-Vieira
Companhia de Seguro de Creditos SA (COSEC), Lisbon

AIDA WORKING PARTIES

AIDA Reinsurance Working Party Questionnaires

At its inaugural meeting in 1994, the Reinsurance Working Party undertook to produce a compendium of comparative reinsurance law to be researched through questionnaires on particular aspects of the law sent to all the national sections, and to be published as a series of reports. The first report, *What is Reinsurance?*, was published in 1998, and the second and third reports, *Follow the Settlements* and *The Proper Law of Reinsurance Contracts*, followed in February 2000. The reports are published by LLP Professional Publishing and may be purchased separately, or as a set at a substantial discount (tel: + 44 (0) 1206 772866 or e-mail: enquiries@informa.com). Future reports currently in preparation cover such issues as the meaning of "event", custom and practice and cut-through.

The seventh questionnaire in the series is printed below. It has been circulated to the Working Party members and the national sections. Responses should be sent to Colin Croly at Barlow Lyde & Gilbert by 31 July 2000.

AIDA Reinsurance Working Party Questionnaire No. 7 *(April 2000)*

Reinsurance Intermediaries

Part I: Reinsurance brokers

1 Market practice and agency rules

(a) Do reinsurers deal directly with reinsureds as regards the placing of risks or any other matter relating to the contract, or are brokers employed in this process?

(b) If reinsurance brokers are used, are they the employees of either party or are they wholly independent agents?

(c) Are brokers engaged in placing reinsurance business also involved in placing direct business?

(d) To what extent do brokers take the initiative in obtaining reinsurance as a part of their role in placing direct business with insurers who may require reinsurance as a condition of participation? If reinsurance is arranged first, in what capacity does the broker act at that time?

(e) By whom are reinsurance brokers remunerated, and how is their remuneration calculated? Are there disclosure requirements or other legal safeguards? Is the position the same for direct brokers?

(f) What are the legal consequences when a broker fails to communicate to the reinsurer material facts concerning the risk which are in the intermediary's possession, or misrepresents such facts? Is the position the same for direct brokers?

2 Regulation

(a) Are reinsurance brokers subject to any form of statutory or self-regulation?

(b) Where there is regulation of reinsurance brokers, to what extent does it extend to:
- (i) licensing?
- (ii) solvency?
- (iii) accounting requirements?
- (iv) qualifications, including post-qualification training?
- (v) general duties and the standard of care?

(c) What remedial regulatory action may be taken against a reinsurance broker?

(d) To what extent are the positions of direct brokers and reinsurance brokers different?

3 Financial matters

(a) Does a reinsurance broker, as a matter of law or practice, accept personal responsibility for the premium? If so, what is the effect of the broker's insolvency or default?

(b) Does a reinsurance broker, as a matter of law or practice, accept personal responsibility for paying losses to the reinsured on behalf of reinsurers? If so, what is the effect of the broker's insolvency or default?

(c) To what extent are the positions of direct brokers and reinsurance brokers different?

4 The duties of reinsurance brokers

(a) What legal or market role, if any, do reinsurance brokers play in:
- (i) choice of reinsurer?
- (ii) placing reinsurance cover?
- (iii) the preparation of reinsurance wording, and
- (iv) claims handling?

(b) Are there any general legal principles which govern the duty and standard of care which a reinsurance broker owes to the reinsured?

(c) To what extent are the positions of direct brokers and reinsurance brokers different? In particular, does the law distinguish between

direct insureds and reinsureds as regards the degree of reliance which may be placed upon a broker in the event that the broker fails to perform his duties?

5 Delegation of functions

(a) In what circumstances do producing reinsurance brokers delegate their functions to placing brokers?
(b) Are there any legal rules on:
 (i) the duties of a producing broker to the reinsured?
 (ii) the liability of a producing broker for the defaults of the placing broker?
 (iii) the direct liability of the placing broker to the reinsured?
(c) To what extent are the positions of direct brokers and reinsurance brokers different?

Part II: Underwriting agents

1 Market practice and regulation

(a) To what extent do insurers and reinsurers use underwriting agents? In particular, is the use of pools common? If so, to what extent is membership international?
(b) Are there any regulatory controls on the operations of underwriting agents?

2 Specific functions

(a) What is the nature of the underwriting authority given to an underwriting agent, and how is the authority publicised in the market?
(b) In the case of a pool, is fronting used? If so, is the underwriting agent given any role in relation to the selection of fronting companies for any risk or is the matter regulated by contract between pool members?
(c) What additional functions are commonly delegated to underwriting agents (e.g., settling claims, obtaining security in the form of reinsurance/retrocession for insurers and reinsurers)?
(d) Do underwriting agents deal with brokers when accepting and placing risks, or do they negotiate directly with other insurers and reinsurers?
(e) What are the legal consequences when an underwriting agent makes a false statement or fails to disclose material facts when accepting or placing risks?

Rob Merkin
Secretary, Reinsurance Working Party

LEGAL DEVELOPMENTS

Reform of the Reinsurance Market in Brazil

In an Ordinary Session held on 14 January 2000, the National Council of Private Insurance (CNSP) issued Resolutions Nos. 001 and 002/2000, which make all reinsurance business in Brazil subject to its rules.

Three forms of reinsurance company have been established. The first type of company is the "local reinsurer". This is a company whose principal place of business is in Brazil. It is constituted in the form of a joint-stock corporation and must have as its sole and exclusive object the conduct of reinsurance business. Minimum capital for the establishment of such companies is US$25 million. They must publish half-yearly financial statements in the *Official Gazette*, duly audited by external auditors registered with the CVM (Brazilian Securities and Exchange Commission - an autonomous federal body). Provisions for claims must be made and deducted from the premiums relative to the reinsurance underwritten. At the discretion of SUSEP (the Supervisory Office for Private Insurance), an amount equivalent to 100 per cent of the premiums relative to reinsurance ceded to admitted and eventual reinsurers (see below) must be permanently guaranteed, by means of an irrevocable and unconditional letter of credit issued by a financial institution authorised to operate in Brazil, or, if abroad, confirmed by a bank authorised to conduct foreign exchange operations in Brazil, or by a cash deposit in an account linked to SUSEP.

The second type of reinsurer is the "admitted reinsurer". This is an insurance or reinsurance company whose principal place of business is abroad, which meets the requirements of CNSP Resolution 001/2000 and has been registered with SUSEP to conduct reinsurance business for Brazilian insurance and reinsurance companies. A foreign insurance or reinsurance company which wishes to underwrite reinsurance business in Brazil as an admitted reinsurer must submit an application to SUSEP, signed by its officers or legal representative, and must satisfy the following requirements. To guarantee its operations in Brazil, it must hold a foreign currency account linked to SUSEP with a minimum balance of US$5 million, at a bank authorised to conduct foreign exchange transactions, in accordance with

the directives of the National Monetary Council (CMN). It must be legally constituted, according to the laws of its country of origin, to underwrite local and international reinsurance in the fields in which it intends to operate in Brazil, and must have conducted such business for at least three years. The current legislation in the company's country of origin must permit transactions with freely convertible currencies for the fulfilment of reinsurance commitments abroad. The company must possess net equity of at least US$85 million, attested to by an external auditor. The company must present balance sheets and financial statements of profit and loss for the last three financial years, with the reports of the external auditors. It must have a solvency rating, established by a rating agency recognised by SUSEP, equal to or greater than the minimum stipulated by SUSEP. Finally, the company must appoint an attorney-in-fact with ample administrative and judicial powers, including the authority to receive judicial summonses, who is domiciled in Brazil and to whom all notifications shall be sent.

The third type of reinsurer is the "eventual reinsurer". This is an insurance or reinsurance company whose principal place of business is abroad which, while complying with the conditions required to underwrite reinsurance of Brazilian insurance and reinsurance companies, is not registered with SUSEP. It must be legally constituted according to the laws of its country of origin to underwrite local and international reinsurance in the field in which it intends to operate in Brazil, and must have commenced such business more than five years ago. The legislation in its country of origin must permit transactions with freely convertible currencies for the fulfilment of reinsurance commitments abroad. It must possess net equity of not less than US$100 million, attested to by an external auditor, and must have a solvency rating, established by a rating agency recognised by SUSEP, which is equal to or greater than the minimum required for admitted reinsurers.

Branches of foreign reinsurers are treated as equivalent to local reinsurers. Local reinsurance and insurance companies may not cede in reinsurance more than 50 per cent of the premiums relative to the risks they have underwritten, taking into account the totality of their operations, in each calendar year. Insurance companies may not cede to eventual reinsurers, in any calendar year, more than 10 per cent of their assignments of reinsurance. Subject to the provisions of the legislation and regulations in force, insurance and reinsurance may be effected in Brazil in a foreign currency, provided this has been authorised in advance by SUSEP.

An admitted reinsurer may establish a representative office in Brazil. Its object must be the performance of activities concerned with the representation of the admitted reinsurer in Brazil. Its designation will be that of its head office, plus the information "Representative Office in Brazil". Representative offices are prohibited from carrying out any other type of commercial activity which entails obtaining revenues. Any reinsurance business effected through the mediation of a representative office will only be considered effective after it has been "accepted" by its head office.

All public or private documentation required by SUSEP from another country must be recognised by the Brazilian consulate, and when drawn up in another language, it must be accompanied by a translation into Portuguese by an approved public translator.

Reinsurance contracts must include a clause providing that in the event of liquidation of the cedant, the liabilities of the reinsurer to the estate in liquidation subsist, regardless of whether claims have been paid to the insured parties. Reinsurance contracts concerning Brazilian risks must include a clause providing for the submission of possible disputes to Brazilian jurisdiction and legislation. The use of an arbitration clause is permitted, pursuant to the legislation in force.

Contracts negotiated by reinsurance brokers may not include clauses which limit or restrict the direct relationship between the cedants and the reinsurers, nor may they confer powers or faculties on such brokers, over and above those necessary and proper for the performance of their functions as independent brokers negotiating the reinsurance contract.

Lawsuits or arbitration proceedings concerning the non-payment of claims by the reinsurer must be notified to SUSEP within a maximum of 30 days after they are filed.

A reinsurance contract must be formalised within six months after the inception of the cover otherwise SUSEP may, at its discretion, refuse to recognise it from the outset.

Lloyd's of London may be recognised as an admitted reinsurer if it submits an application to SUSEP, signed by its legal representative, and provided it satisfies the requirements set out above for admitted reinsurers. If Lloyd's is not registered as an admitted reinsurer, Lloyd's underwriters may

effect reinsurance business with Brazilian cedants in the capacity of eventual reinsurers.

Insurance companies must offer local reinsurers preference for the equivalent of 60 per cent of each cession of reinsurance, provided they are offered the same conditions and prices as those offered by foreign reinsurers who are committed to acceptance of the risk with a participation, jointly with local reinsurers, of a minimum of 40 per cent. These conditions will remain in force for a term of two years from the date on which the Federal Union conveys shareholding control of IRB-Brasil Re.

Sergio Ruy Barroso de Mello
Vice President, Brazilian Chapter of AIDA

Greek Motor Accident Compensation Rules

The Greek Association of Insurance Companies is to introduce, in the form of a "gentlemen's agreement" ("The Agreement"), regulations for the payment of compensation by the victim's own insurers in relation to motor accidents for which a third party is liable, known as the "Immediate Payment System" ("IPS"). Insurers holding some 92 per cent of all third-party motor policies have already made preliminary applications to join the scheme. The Motor Insurance Bureau has not indicated that it will take part.

The Agreement has two aims: first, to speed up the payment of compensation to drivers involved in accidents in which they were not at fault, and secondly, to simplify loss assessment procedures. It also extends to policyholders with comprehensive coverage.

The Agreement introduces in Greece the "Amicable Declaration", produced by the Comité Européen des Assurances. The declaration is to be completed by both drivers immediately after the accident. The accident will then be subject to the Agreement, even if only one of the drivers actually submits the declaration to his insurance company, as long as both insurers are subject to the scheme. The system relies heavily on both drivers being sufficiently "civilised" after the accident and taking the time to fill in this form, without which the IPS cannot apply to the accident. The Union of Greek Insurance Companies hopes that the Amicable Declaration will be used in all motor accidents, irrespective of whether the accident is subject to the IPS.

The Agreement applies only to accidents meeting the following conditions:

(a) only property damage was caused;
(b) two vehicles were involved, each insured by different companies;
(c) the accident took place in Greece;
(d) the Amicable Declaration was properly completed and signed by both drivers; and
(e) property damage (repair/replacement and removal costs) caused is no more than GRD1,200,000 (€3,600).

The insurance company of the party to be compensated must appoint an adjuster if the claim value is more than 5 per cent of the maximum. The adjuster's findings are not open to query by the liable party's insurer.

Liability is allocated on the basis of the Amicable Declaration and any official documents relating to the accident (police reports and other documents arising from any investigation). The official documents take precedence if they contradict the declaration. Liability is allocated in fixed proportions of 100 per cent or 50 per cent. Each insurance company separately assesses whether or not its own driver is liable for the accident. If they both decide that their own driver was not liable and pay full compensation, this will become evident only at the end of the relevant period, when payment is sought from the other company under the Agreement, although the two companies are not precluded from discussing the case before making their final decisions, and indeed are required to do so if either reaches the conclusion that there is joint liability. The dispute will then be referred to the Management Committee for allocation of liability between the drivers. The Management Committee is composed of representatives from the participating insurance companies and the Union of Greek Insurance Companies. It issues final, binding decisions on disputes between members: the costs of the hearing are borne by the losing party. An insurance company found to have over-compensated its own client will not be able to claim that money back, unless fraud is shown.

In order to receive compensation the recipient must sign a declaration waiving all further rights to additional compensation against both insurance companies and the other driver.

All payments under the IPS are conducted through the Settlement Office, which acts as technical support for the entire scheme. It maintains electronic records of all cases subject to the scheme of which it has been notified, provides for interest on compensation which has not been reimbursed by the liable party's insurer, and

generally keeps records of authorised insurance company representatives and experts. It also refers disputes on to the Management Committee.

The Settlement Office settles accounts between participating insurance companies every three months, awarding a statistically-derived average sum for each claim paid. All sums are set off and final payment of balances is made to or from the Settlement Office, depending on whether each insurer is found to be in debit or credit under the scheme during that period. The only occasion on which the actual compensation sum paid by the victim's insurer is repaid by the liable party's insurer in full is where the accident was caused by one of the risks excluded from coverage under compulsory third-party liability cover (such as racing, unlicensed and drunk drivers) on which insurers are not entitled to rely in order to avoid liability to third parties.

It remains to be seen whether Greek drivers are prepared to fill in the Amicable Declaration on which the IPS depends, and whether insurance companies will join the scheme, but the system introduces an important simplification of procedures, both for the assured driver and his insurer.

Virginia Murray
Member of the Athens Bar, Barrister of the Middle Temple; IKRP Rokas & Partners, Athens

Financial Supervision in Portugal

In accordance with a model consolidated in the 1980s, the supervision of financial institutions in Portugal is specialised by the type of institution and is divided among three entities: the *Instituto de Seguros de Portugal* (Portuguese Insurance Institute) for the insurance sector and pension fund management companies and their intermediaries, the *Comissao do Mercado de Valores Mobiliarios* (Securities Market Commission) for the securities market, as its name indicates, and the *Banco de Portugal* (Bank of Portugal) for banking and financial companies.

This structure, based on the technical classification of the institutions supervised and governed, proved effective until the emergence of so-called financial conglomerates, groups made up of insurers, banks and other financial companies. Of course, the problems arising have not been confined to Portugal; this is a topic of general interest and a subject of (more or less) heated debate in the various circles of financial supervision, and particularly within the Insurance Committee of the European Union.

There is a clash between two main schools of thought. On the one hand there are those who favour unified supervision, entrusted to a single entity with horizontal jurisdiction, that is to say, responsibility for the whole of the market, independently of the specific characteristics of the business. Defended by a large number of banking supervisors and also by some specialists in the field of insurance, this model is generally referred to as consolidated supervision. On the other hand there is the "solo plus" model of supervision, conceived in the Netherlands (and inextricably linked with the name of Professor Vermmat, chairman of the Dutch insurance control authority). This second approach maintains separate and specialist supervision for each of the sectors (banking, insurance and securities market) but, when dealing with a company that belongs to a financial group, supervision also extends to intra-group activities. Thus, supervision of an insurer, for example, by the corresponding authority will spill over into the activities of a bank belonging to the same group.

While the first model implies the existence of a single supervisory authority, as is the case for example in the Scandinavian countries and the United Kingdom, the "solo plus" model maintains entities for the supervision of each type of business which are autonomous but work together, on the basis of specific protocols, in supervising conglomerates.

In the author's view, the latter model is the most appropriate, at least to the realities of business in Portugal. Corporate life today clearly has nothing in common with even the relatively recent past, just as prudential supervision as practised today has nothing to do with the *a priori* supervision of the past; but it should be remembered that, in Portugal, between 1929 and the end of the 1970s, there was common supervision of banking and insurance, an experiment that was eventually abandoned in favour of a return to specialist supervision. Despite the growing importance of financial conglomerates and the blurring of distinctions between banking, insurance and other financial services, the particularities of each of these businesses have not disappeared, if only because of the inversion of the business cycle that is characteristic of the insurance business.

The advantages of the solo plus supervisory model were officially acknowledged by the group of experts invited by the Portuguese government

to examine the national financial system and propose recommendations for its development. As the group says in its report[1]:

> "The purpose of prudential supervision of undertakings is to ensure their financial soundness and is the exclusive responsibility of the Portuguese Insurance Institute (ISP) in the case of insurance companies and pension fund management companies.
>
> The Portuguese Insurance Institute's supervision should also extend to other firms in which such companies control, directly or indirectly, more than half the share capital or voting rights and to firms with which such companies have links of a nature liable to influence their decisions . . . . In this domain the competence of other supervisory bodies—the Bank of Portugal and the Securities Market Commission—has to be taken into account. To avoid overlaps, the Portuguese Insurance Institute will have to act in cooperation with those entities. . . . Still in the context of financial groups, in the case where an insurer has a stake in the share capital of a credit institution or *vice versa* . . ., conflicts of jurisdiction may arise between the Portuguese Insurance Institute and the Bank of Portugal. Such situations require close cooperation between the two supervisory authorities concerned. . . . In certain cases the designation of a chief supervisor to oversee coordination of the activities of the supervisory institutions involved may be warranted."

While the report does not rule out the appointment of a lead supervisor–on either an occasional or a systematic basis–it is clear that the model of supervision favoured is the solo plus system. More than a year before the publication of the report the author of this article, on behalf of the executive board of the Portuguese Insurance Institute, drew up draft protocols for co-operation between the Portuguese Insurance Institute, on the one hand, and on the other the Bank of Portugal and the Securities Market Commission, which were submitted to the then governor of the Bank of Portugal and the then chairman of the Securities Market Commission. However, these protocols were still unsigned in July 1994. Some years later, the Portuguese Insurance Institute was in fact able to collaborate with the Bank of Portugal and the Securities Market Commission, albeit on an informal basis; that co-operation enabled the different supervisory entities to make a number of opportune and effective interventions and greatly contributed to the continued health of the Portuguese financial sector. However, despite the experience already gained and the good results achieved, opinion articles in the press, specialist and otherwise, particularly in 1999, insistently talked up the merits of consolidated supervision and argued in favour of handing insurance supervision over to the Bank of Portugal or even creating from scratch a new institution to replace the Portuguese Insurance Institute, the banking supervision department of the Bank of Portugal and the Securities Market Commission.

Portugal's new Minister of Finance finally stamped out the "guerrilla war" that was breaking out between the followers of the two models and put an end to the uncertainty on 1 March 2000. At the investiture of the new governor of the Bank of Portugal, the Minister of Finance announced the adoption of the solo plus model, with the creation of a board of financial supervisors, made up of the heads of each of the three supervisory bodies–the Portuguese Insurance Institute, the Bank of Portugal and the Securities Market Commission–to co-ordinate joint activity between those entities, particularly as regards the mutual exchange of information and the development of rules and mechanisms for the supervision of conglomerates.

Thus the threat that either the Portuguese Insurance Institute would be absorbed into the Bank of Portugal or an umbrella supervisory structure would be created has been averted, it is to be hoped definitively.

The new board will permit a structured and institutionalised common approach to the trans-sectoral elements of financial supervision, while maintaining the independence of the institutions and the separation of their areas of competence. In parallel, the statutes of the Portuguese Insurance Institute will be revised once again to increase its autonomy, making it less dependent on ministerial tutelage and thus returning to the philosophy that held sway from 1982 until the reform of 1997.

It is the Minister's intention to have this reform completed and implemented before the end of the year 2000.

Manuel Guedes-Vieira

Companhia de Seguro de Creditos SA (COSEC), Lisbon

1. "Livro Branco do Sistema Financeiro" (White Paper on the Financial System), Lisbon, Ministry of Finance, 1993, vol. III, Chap. 15, pp. 429-430.