

## Insurance - Greece

### Application of new regulatory acts by DEIA

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**Background**  
**Act 30/2013**  
**Act 31/2013**  
**Comment**

#### Background

It is now four years since the Bank of Greece Department of Supervision of Private Insurance (DEIA) began its role as the Greek insurance supervisory authority. Among its other duties, DEIA has recently tried to consolidate private insurance operations through the implementation of new regulations, as well as by audits of insurance undertakings and intermediaries.

The DEIA took over the insurance supervisory role in 2010, following the negative impact of the revocation by the previous supervisory authority of the operating licences of two insurance companies, Aspis Pronoia and Commercial Value (in September 2009 and February 2010, respectively). This resulted in a considerable number of insureds having no cover or losing control over their savings.

One of the most important regulatory interventions since the DEIA became the supervisory authority was the issuance of two acts by the Bank of Greece Executive Committee:

- Act 30/2013 Regulating Matters of Administrative and Accounting Organisation of Insurance Undertakings; and
- Act 31/2013 on the Code of Conduct of (Re)Insurance Intermediaries.

Both acts, which came into effect at the beginning of 2014, raised concerns in the insurance market, with a number of insurance undertakings and intermediaries stating that their organisations were not ready to comply with the obligations imposed by the regulations. However, the authority stated that implementation should start sooner rather than later so that the market could adapt to the new practices gradually, with more stringent audits and penalties for non-compliance to follow later.

One of the key aims of the new regulations was the rationalisation of the premium payment mechanism, which did not function properly. According to market practice developed over many years, the commencement or renewal of insurance cover was possible without the premium having been paid or, in many cases, without it being collected by the insurance company, despite the insured having paid the premium to the insurance intermediary.

#### Act 30/2013

Of the issues relating to the administrative and accounting organisation of insurance undertakings, Act 30/2013 Regulating Matters of Administrative and Accounting Organisation of Insurance Undertakings regulates commercial policy, the acquisition of insurance business and the functions of the networks generating it, as well as the monitoring of production, premium collection, commission refunds and relevant rules of ethics (based on the pre-contractual information and printed material delivered to the insureds).

The act provides that each insurance undertaking should establish policies to regulate internal operations, such as a business policy and a management policy for production and premium collection. It also imposes certain other tasks related to organisational matters (eg, the maintenance of records of complaints submitted by insureds and damaged third parties), as well as rules of conduct that all insurance undertakings should follow.

The business policy aims to set down rules and regulations regarding the type of insurance business undertaken by the company, the targets set for the business and the means used to meet these targets. Every insurance undertaking must submit its business policy to the DEIA and advise the authority of any amendment. The business policy must also be disclosed to the DEIA at any time upon request.

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In applying its business policy, the insurance undertaking should issue a sales regulation and an annual programme of premium production for each next financial year.

The management policy for production and premium collection sets down the strategy and goals of the insurance undertaking for the collection of premiums, with the view to ensuring that the premium is paid by the policyholder before commencement of the insurance cover. The DEIA must be advised of any amendment to the policy, and it must be disclosed to the DEIA at any time upon request.

Within the new framework, the insurance undertaking should develop and use specific IT systems for the monitoring of production and collection of premiums, as well as payment of the relevant commissions to the insurance intermediaries.

Every insurance undertaking should keep a register of its network for acquiring insurance business in electronic and hard copy form, which should include contracts with collaborators and intermediaries, as well as all documents and data for the termination of cooperation.

The act also provides administrative penalties for non-compliance with its provisions.

### **Act 31/2013**

The Act on the Code of Conduct of (Re)Insurance Intermediaries describes the standards of information and professional behaviour that insurance intermediaries should follow with both clients and insurance undertakings in furtherance of the obligations laid down by national legislation implementing the EU Insurance Mediation Directive. In this respect, insurance intermediaries should provide proper and sufficient information to their clients, taking into consideration their individual needs, financial situations and capacity to understand the special terms and risks of each proposed insurance product.

Thus, insurance intermediaries should issue in hard copy and electronic form leaflets for clients – separate from any such material issued by the insurance undertakings – bearing each intermediary's trade name and/or distinctive title. They should follow a specific procedure when starting a business relationship with a new client and before concluding a contract. Based on the data provided by the client, the insurance intermediary should propose the product that best meets the client's needs.

The insurance intermediary should have a proper accounting organisation (ie, regarding filing statements of monitoring of premium collection and invoices for payment of the balances owed to insurance undertakings). It should also make available to its clients the leaflets of all the insurance undertakings whose products it sells and keep the documents of collaborating companies and signed invoices.

The most important innovation of Act 31/2013 was the amendment regarding premium refunds. According to the act, an insurance intermediary entitled to collect a premium from a client must deposit it with the insurance undertaking no later than the end of the week in which it was collected. This provision aims to terminate a practice followed for many years, under which insurance intermediaries would retain premiums paid by insureds and pass them to the insurance undertaking two to three months (or even more) after collection.

The obligation to pay the premium before the commencement of the cover existed under the previous legal framework. However, based on a general exception allowed by the law (for cases of specific agreement or circumstance), in practice policies were issued without the premium having been collected by insurance companies, creating issues ranging from liquidity and capital adequacy to practical problems (eg, cases where accidents happened or risks occurred before the premium had been paid or collected).

### **Comment**

The new regulations are intended to put an end to controversial practices followed by the insurance market for a number of years. Particularly with regard to motor insurance, Law 4261/2014 explicitly provides that insurance coverage may commence only after payment of the whole premium; no certificate of insurance may be issued and delivered to the insured or policyholder to prove the conclusion of the insurance policy, so that third-party liability cover for car accidents may not be claimed if the premium has not been paid.

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