

PREPARING FOR THE EURO
WORKSHOP

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SUMMARY

The timetable for the introduction of Economic and Monetary Union (EMU) within Europe is now fixed. On 1 January 1999, the Euro will replace national currencies for those European Union (EU) member states joining the single currency, subject to a transitional period until July 2002, during which payments and receipts may be made in either currency. The Euro will therefore become the unit of currency increasingly used by business across much of the EU from January 1999.

Eleven EU states will adopt the Euro on 1 January 1999. Others, including the UK, have either elected to stay out of this "first wave", or do not presently meet the entry criteria. It can be expected, however, that further EU members will join the EMU in due course.

It is evident that insurers based in those states adopting the Euro in 1999 have a large and immediate task in converting their operations to cope with the impact of the new currency on their systems. The situation is made more difficult by the need to maintain dual currency and pricing arrangements during the transitional period. Simultaneously, insurers are devoting huge amounts of effort to ensure that systems are "Year 2000" compliant by the end of 1999. IT resources are therefore going to be severely stretched during this critical period.

It is perhaps less evident that insurers outside the EMU system will also be affected by the introduction of the Euro from 1999. This will go far beyond treating the Euro simply as "just another currency". Insurers with risks in the EMU states will have to cope with dealing in and reconciling multi-currency payments on those policies. There may also be pressure from the local market to offer Euro products and accounts, to remain competitive in Europe. In addition, there will be a big one-off exercise at the end of 1998 to redenominate all securities held in EMU currencies, before further trading can take place.

This workshop will therefore focus on the practical problems facing Non-Life insurers in coping with the Euro, raising awareness of the critical issues to be addressed before 1 January 1999.