EIOPA consults on the harmonisation of national insurance guarantee schemes

NEWS

DATE:

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Today, the European Insurance and Occupational Pension Authority (EIOPA) launched a consultation on its Advice on the harmonisation of national insurance guarantee schemes across the Member States of the European Union. This consultation is a draft response to the Call for Advice of the European Commission of 11 February 2019 on the part linked with insurance guarantee schemes.

EIOPA is of the view that every Member State should have a national guarantee scheme in place for the protection of policyholders in the event of a failure of an insurer, which should meet a minimum set of harmonised features. Therefore, EIOPA's calls for the establishment of a European network of national insurance guarantee schemes, which are sufficiently harmonised and adequately funded. At the same time, it is essential to take properly into account the proportionality principle to avoid excessive burdens on insurers and Member States. In this context, a flexible approach as regards the legal structure and set-up of the schemes is important.

The draft Advice addresses the following areas of an insurance guarantee scheme (IGS):

* The role and functioning: The IGS should be set up with the primary aim to protect policyholders, such as to pay compensation swiftly to policyholders for their losses in case an insurer becomes insolvent and/or to ensure the continuation of insurance policies
* The geographical coverage: The IGS should be harmonised in accordance with the home-country principle
* The eligible policies: The IGS should cover a specific range of life and non-life policies, such as policies where the failure of an insurer could lead to considerable financial or social hardship for policyholders and/or in case of lines of business with a high market share in cross-border business in Europe
* The eligible claimants: The IGS should cover natural persons as well as micro- and small-sized legal entities
* The coverage level: The IGS should have a harmonised minimum coverage level
* The funding: The IGS should have adequate funding systems in place. The IGS should for instance be funded on an ex-ante basis and if needed complemented by ex-post funding
* Disclosure: There should be requirements for adequate, clear and comprehensive disclosure about the IGS protection to consumers and policyholders
* Cross-border cooperation and coordination: Respective arrangements between national IGSs should be in place

Furthermore, EIOPA advices to conduct a review of at least every five years after a harmonised framework becomes effective.

Stakeholders are invited to provide feedback to the draft Advice, which will be amended based on the feedback received. The final Advice will be included in the 2020 Solvency II Review Opinion.

Consultation process

For responding to this consultation please use the provided template for comments. The deadline for submission of feedback is Friday, 18 October 2019 at 23.59 hrs CET and has to be sent via email to the following [email](mailto:CP-19-005@eiopa.europa.eu) address.

Contributions either not provided via the template for comments, sent to a different email address or sent after the deadline will not be considered.

Unless requested otherwise, all contributions received will be published after the deadline for submission.

Legal basis

Article 26 of Regulation (EU) No 1094/2010 (the EIOPA Regulation) states that "the Authority may contribute to the assessment of the need for a European network of national insurance guarantee schemes which is adequately funded and sufficiently harmonised".

Other relevant articles:

* Article 8(1)(i) of the EIOPA Regulation sets out EIOPA's tasks and powers in the area of recovery and resolution of insurers by providing that EIOPA is responsible for "[…] the development and coordination of recovery and resolution plans, providing a high level of protection to policy holders, to beneficiaries and throughout the Union, in accordance with Articles 21 to 26".
* Article 24(2) of the EIOPA Regulation provides EIOPA with the responsibility to "contribute to ensuring coherent and coordinated crisis management and resolution regime in the Union".
* Article 25(2) of the EIOPA Regulation provides that "[EIOPA] may identify best practices aimed at facilitating the resolution of failing institutions and, in particular, cross-border groups, in ways which avoid contagion, ensuring that appropriate tools, including sufficient resources, are available and allow the institution or the group to be resolved in an orderly, cost-efficient and timely manner."