Insurance guarantee schemes

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The Committee on Economic and Monetary Affairs adopted an own-initiative report by Peter SKINNER (S&D, UK) on Insurance Guarantee Schemes (IGSs), in response to the White Paper presented by the Commission on this subject.

The financial crisis has demonstrated that consumer confidence in the financial system can be quickly undermined in the absence of adequate compensation processes for consumer losses incurred as a result of the failure of financial institutions. IGSs can be a valuable tool in reducing the risks facing policy-holders or, where appropriate, beneficiaries in the event of the failure of an insurance entity.

In this context, Members call on the Commission, with regard to the rules and definitions set out in Directive 2009/138/EC of the European Parliament and of the Council (Solvency II) and the new supervisory framework, to come forward with proposals for **a cross-border standardisation directive establishing a coherent and consistent cross-border framework for IGSs across Member States**.

According to the report, the key elements of a Directive on IGSs should be the following:

(1)The geographical scope of IGSs should be on the basis of "home country" principle whereby policies written by an insurer, regardless of location of sale, are covered by the 'home' IGS.

(2)The funding model for national IGSs should be covered by the subsidiarity principle, reflecting the 'home' country principle of supervision and the diversity of models used by existing IGSs.

(3) IGSs should fully cover valid policy claims across all forms of insurance, and the claims compensation process should provide consistency of consumer experience:

- the information available to consumers in the event of an insurer's insolvency should be easily accessible, comprehensive and easy to follow, with clear indications as to which authority the consumer should approach when making claims or enquiries;
- the Commission is called upon to stipulate a single own-language process and point of contact for consumers within their national supervisor for all insurance-guarantee compensation claims, regardless of the location of the 'home' IGS;
- a mechanism similar to the European Standardised Information Sheet (ESIS) should be introduced for insurance policies, which would include clear, mandatory risk warnings on complex insurance-linked investment products.

(4)The European framework for IGSs functions as a last resort by providing policy-holders (or, where appropriate, beneficiaries) who are eligible with compensation for losses to the fullest possible extent or the possibility of portfolio transfer within a reasonable period of time should an undertaking declare insolvency.

(5)At this stage, IGS should be limited to natural persons, although individual Member States may choose to include legal persons. The Commission should re-evaluate the case for including select legal persons once a legally binding definition of what constitutes a small or micro-undertaking has been agreed.

Members consider that 'home' and 'host' supervisors should **cooperate fully with the IGS** concerned and the European supervisory framework in order to minimise disruption for policy-holders or, where appropriate, beneficiaries in a 'host' country in the event of the failure of an insurer.