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**SUMMARY OF RESPONSES TO THE CONSULTATION ON THE WHITE PAPER ON
INSURANCE GUARANTEE SCHEMES**

1. INTRODUCTION

On 12 July 2010, the European Commission published a White Paper on Insurance Guarantee Schemes and invited Member States and interested parties to submit comments on the options identified in the White Paper by 30 November 2010. The White Paper was accompanied by an Impact Assessment including a comprehensive Methodological Report and Annexes. This document is a summary of the received contributions.

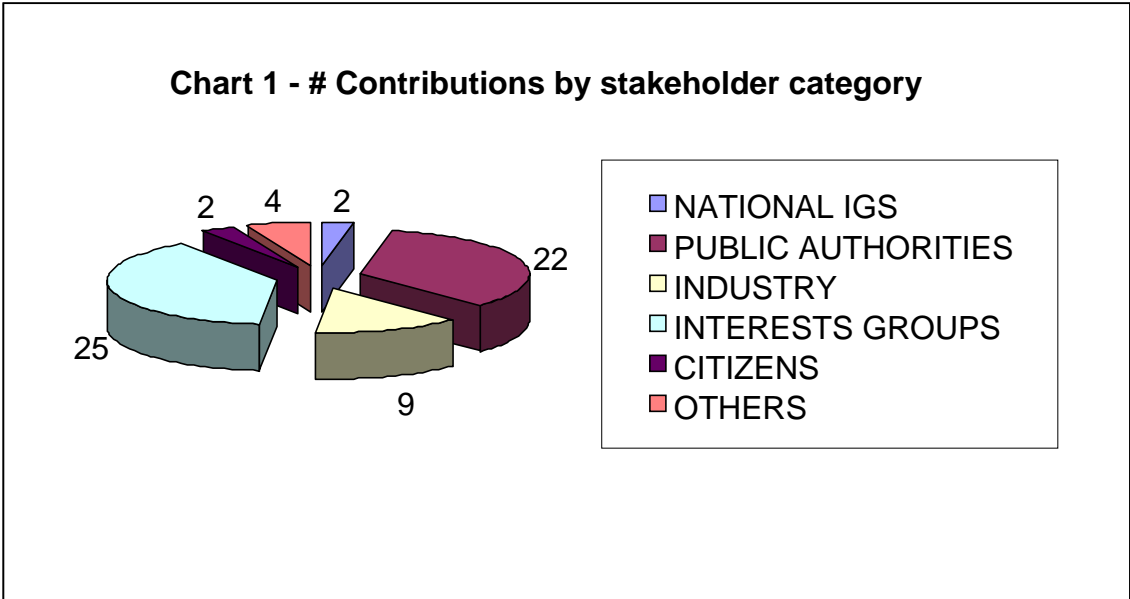
2. CONSULTATION DOCUMENT

The White Paper outlines a coherent approach for EU action on Insurance Guarantee Scheme protection for policyholders and beneficiaries. In particular, it proposes introducing a Directive in order to ensure the existence of Insurance Guarantee Schemes in all Member States, and that these comply with a minimum set of design features.

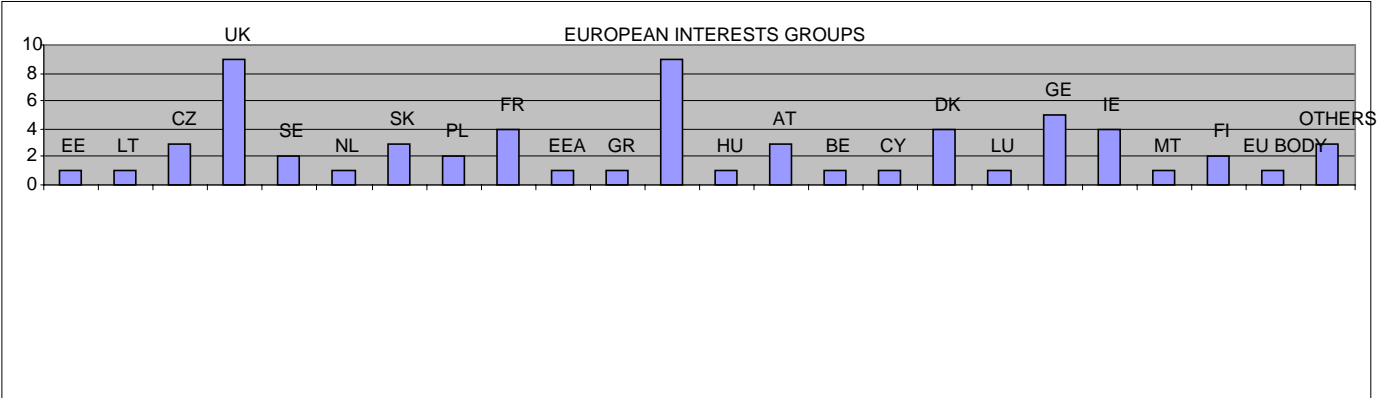
3. RESPONSES TO THE CONSULTATION

The European Commission received 64 responses to the public consultation. Respondents can be classified in 6 categories: *citizens, national and European interests groups, industry, public authorities, national insurance guarantee schemes and others* (e.g. national consumers' panels or public affairs consultancies). The chart below shows the percentage of responses received from each category.

The category "*national and European interests groups*" encompasses organisations representing users, financial sector workers, industry and other stakeholders. "*Industry*" refers to insurance companies active in at least one Member State.



Contributions were received from stakeholders in 19 EU Member States and in 1 EEA country, as well as from 1 European Supervisory Authority (EIOPA). The nationality distribution is set out in the following chart



3.1 GENERAL COMMENTS

The respondents welcomed the opportunity to commenting on the preferred options for EU action presented in the White Paper. The majority of the respondents was in favour of measures at EU level in order to harmonising national insurance guarantee schemes. The need to better protect policyholders and beneficiaries within the European Union was largely recognised by the respondents.

Many stakeholders made reference to existing national schemes and highlighted the need to maintaining and completing such schemes. Important additional information on the current state of play at national level was provided.

An important number of stakeholders brought forward additional elements not covered by the White Paper. Notably, several commentators wanted to highlight the possibility of extending the coverage to motor insurance. Other commentators proposed to adding requirements related to consumer information and advertising.

3.2 RESPONSES TO THE QUESTIONS OF THE CONSULTATION

QUESTIONS 3.1 & 3.2 – NATURE OF POSSIBLE EU ACTION & LEVEL OF CENTRALISATION AND ROLE OF THE IGS

The majority of the respondents were in favour of introducing a Directive. Almost all respondents linked this to the need for minimum harmonisation. None of the respondents was against the principle of "last resort mechanism" and most of the respondents saw the IGS either as an emergency instrument or as a safety net. All respondents agreed that the IGS should not prevent the use of other measures before a default situation.

A majority of respondents was in favour of a mandatory national scheme in each Member State. Pan-EU scheme and mutual borrowing facility between national schemes were largely rejected.

A majority of national industry associations was not in favour of a compulsory introduction of national IGS. Only one reply received directly from an insurance company shared this position. Most of the others, as well as the huge majority of replies sent by national authorities (national banks, national supervisors and ministries) and by European interests groups (representing consumers, workers, actuaries etc) were not opposed to the introduction of national IGS.

QUESTION 3.3 – GEOGRAPHICAL SCOPE

There was broad consensus on the uniform application of the Home State principle. One national consumer association and one industry player, as well as a few others, were in favour of the Host State Principle.

A respondent from industry asked for the application of the Home State principle for policies covered by the freedom to provide services and for the application of the Host State principle for branches. A few respondents, mostly from industry, considered that there should be some kind of cooperation between home IGS and host IGS in cases of cross-border activities. In the host country, the host IGS could intervene to provide information or to compensate on behalf of the home one.

Half of the industry replies focused on differences in the level of coverage between national schemes. They argued the need for top-up schemes to compensate for differences between the various national levels of coverage. Opinions were divided whether this solution should be compulsory or not (opt-in/opt-out choices for cross-border insurers).

QUESTION 3.4 – POLICIES COVERED

The majority of the respondents were in favour of covering both life and non-life policies. Those opposing (most of them being national industry associations and the CEA) proposed limiting the coverage to life policies.

One industry respondent wanted to cover also motor insurance.

Respondents generally agreed that social security-related insurance as well as statutory insurance should not be covered. Stakeholders' replies diverged on the need for other exclusions. Regarding the exclusion of occupational pensions views were equally spread.

Only a few respondents believed that "claimants" or some "niche" products should be excluded.

QUESTION 3.5 – ELIGIBLE CLAIMANTS

There was large agreement that an IGS should at least cover natural persons (also referred to as "consumers"). A majority of the replies was in favour of excluding legal persons.

A minority of the respondents proposed to include also legal persons. However, they all wanted to either limit to cover to small undertakings (with criteria in the Directive) or to leave the choice whether legal persons should be covered to Member States.

For the definition of "consumers" most commentators referred to the definition in the VAT Directives and to general consumer *acquis*. For the definition of "legal persons" and "small and medium-sized entities", some commentators referred to Recommendation 2003/361/EC or to the SEPA rules.

QUESTION 3.6 – FUNDING

3.6.1 TIMING OF THE FUNDING

A majority of respondents to this question were in favour of ex-ante funding.

Two respondents considered that the effects of ex-ante funding must be moderated through linking it to better risk management ("risk-based" ex-ante). Most commentators said that there must be clear limits to ex-ante funding.

The majority of the replies in favour of ex-ante funding proposed to complete such funding with ex-post funding. One respondent from industry proposed a tax offset for pre-funding. It is worth noticing that among those preferring ex-post funding (23%), a large majority proposed ex-post funding for contracts continuity (portfolio transfer) and ex-ante for claims compensation.

Most of direct replies from insurance undertakings were in favour of ex-post funding. However opinions diverged among national insurance associations: some were in favour of ex-post funding, others preferred leaving it to Member State's discretion and some others were in favour of ex-ante funding.

Only 18% of the respondents would leave this issue to Member State's discretion (among them, the CEA and a few national industry associations). Many respondents considered a unique solution should be applied in all Member State.

3.6.2 TARGET LEVEL

A vast majority of the respondents agreed on the need to using uniform target levels. Most respondents having explicitly chosen ex-ante funding highlighted the need of introducing a target level.

3.6.3 CONTRIBUTIONS

There was broad consensus in favour of introducing risks-based contributions. Most of the respondents wanted to limit the contribution through capping. Some respondents proposed alternative criteria to yearly written gross premiums: solvency ratios and amount of technical reserves for example. Others referred to corrective criteria, risk-weighting or to the criterion of investment (for life) and the aging provisions (for health). Regarding ex-post funding, some proposed to contribute in function of compensation needs.

QUESTION 3.7 – PORTFOLIO TRANSFER AND/OR COMPENSATION OF CLAIMS

Commentators believed that portfolio transfer should be the preferred option when practicable. This was considered to be always the case in life (and health). For non-life, compensation of unearned premium was massively rejected. In general, compensation is considered as an alternative or a minimum solution. Only one respondent was against compensation. A few would leave this issue to Member States.

A third of the respondents commented on the timing of intervention. Most of these (84%) favoured having rules at European level. Two respondents would leave this issue to Member States. There were two concerns: one was about defining the starting point of the period in which the intervention of the IGS should take place. The other was about the need of having a limited period of intervention. On this, most of the respondents considered European harmonisation was needed. Regarding the trigger for intervention, respondents were not in favour of taking neither the introduction of the claim nor the default as starting date. Instead the settlement of the claim was largely supported.