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INSURANCE GUARANTEE FUNDS

Member States' experts group meeting on insurance guarantee funds held in Brussels on 4th February 2002

The experts' group which was established by the decision of the Insurance Committee (meeting on 27-28th November 2001) held its first working group meeting on 4th February 2002.

At this first meeting Member States presented their respective guarantee systems. They also analysed in detail the document presented by Ireland at the last Insurance Committee (MARKT/2061/01). Delegations gave also their preliminary opinions on possible community action in this matter.

Some delegations recognised that the absence of co-ordinated provisions could create some possible problems which could be exacerbated by the development of e-commerce. These problems would be more important for life insurance, in particular because of competition from other financial services benefiting from guarantee funds.

A questionnaire is being prepared by the Commission for dispatch to Member States. This will permit a precise description of the different guarantee fund systems currently existing and of other aspects linked to the financing of such funds. The Commission intends to prepare a working document for the next expert group meeting (scheduled for 15th May) in order to submit a formal report to the Insurance Committee for the year end.

Discussions to date show differing opinions between delegations. Some clearly favour Community action others do not. However, there appears to be a certain tendency favouring some limited co-ordination of minimum guarantee levels.

Certain delegations pointed to the problems involved in financing guarantee funds -in particular for "smaller markets" with a very high level of concentration on the supply side. They expressed the view that guarantee funds were not an appropriate means for protecting policyholders against the insolvency of large insurers, because of the substantial costs potentially involved. Lastly, even those delegations holding no firm view considered that guarantee funds could create a "moral hazard".