



EUROPEAN COMMISSION  
Impact Assessment Board

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## Opinion

**Title**                    **Impact Assessment accompanying the White Paper on Insurance Guarantee Schemes (draft version of 2 February 2010)**

### **(A) Context**

Guarantee schemes exist in a number of sectors in the financial services industry, and minimum protection standards have been harmonised at the European level by the 1994 Deposit Guarantee Scheme (DGS) Directive and the 1997 Investor Compensation Scheme (ICS) Directive. However, there is no such European framework in the insurance sector. To remedy this, the de Larosière Group recommended the setting-up of harmonised Insurance Guarantee Schemes (IGS) throughout the EU. In its Communication of 4 March 2009 "Driving European recovery", the Commission announced that it would review the adequacy of existing guarantee schemes in the insurance sector and make legislative proposals. To this end it will adopt a White Paper in early 2010. This report follows earlier impact assessments accompanying the White Paper on Enhancing the Single Market Framework for Investment Funds in 2006 and the legislative proposal amending the UCITS Directive in 2008.

### **(B) Overall assessment**

**While the IA report presents a large amount of analysis and background information, it does not at this stage provide the necessary evidence base to justify legislative action in this area. It should in particular provide a more precise indication of the extent of the problem, based on an assessment of the likelihood of major defaults and an indication of the possible consequences. Given that the nature and scale of the problem appear from the current evidence to be relatively limited, it needs to strengthen the analysis of subsidiarity and proportionality and assess more fully alternatives to legislation. It should present the objectives and all relevant policy options more clearly, and explain better how this initiative relates to other policies that aim at protecting consumers of related financial products (such as pensions). The report should also provide a much more comprehensive overview of the expected impacts of the options, and analyse more fully a number of relevant options which might be alternatives to a guarantee scheme such as changes to transparency and solvency requirements. Finally, it should indicate more explicitly the next steps in the development of this policy, and what impact assessment will be undertaken to inform these.**

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**Given the fundamental nature of these issues, the IAB requests DG Internal Market and Services to resubmit a new version of the IA report, on which it will issue a new opinion.**

**(C) Main recommendations for improvements**

**(1) Provide a more precise indication of the extent of the problem, explain why EU intervention is needed and how this initiative relates to other policies in this field.**

The problem definition should be considerably strengthened and should indicate the likelihood of major defaults and an indication of the possible consequences, both at consumer level and for macroeconomic stability. Given that the current evidence suggests that the scale of the problem is relatively small, and that cross-border insurance activities are relatively limited, the report should provide a better explanation of the need for EU intervention. It should also explain why a majority of Member States have not put insurance guarantee schemes in place, and provide an indication of the degree of support that Member States and stakeholders are likely to give to the various options under consideration. It should indicate how important insurance policies, especially life, are as a component of the savings of private citizens.

**(2) Present the objectives and all relevant policy options more clearly, and analyse subsidiarity and proportionality aspects.**

The report should provide more clarity about the objectives of this initiative, in line with the problem description, and in particular clarify the relevance of any action in this area to the issue of financial stability. It should explain how this initiative would complement other policies such as Solvency II and to what extent the objectives are already achieved by this Directive. The report should explain how the situation in terms of consumer protection in insurance relates to and differs from that of pension funds and assess the appropriateness of dealing with both issues together. It should analyse in greater detail to what extent different forms of EU intervention, such as exchange of best practice or a recommendation, would respect better the principles of subsidiarity and proportionality.

**(3) Provide a more comprehensive overview of the expected impacts of the options, including alternatives that do not include a guarantee scheme.**

The impacts section of the report needs to be developed significantly. It should provide more information on expected benefits and costs as this is largely missing from the report. It should move all references to the expected impacts of different options to the appropriate section of the report. It should assess the effects that different options are likely to have on the behaviour of consumers and insurers, the effect on the prevalence of cross-border transactions, and the possible budgetary consequences for the EU or the Member States. Part of this section could build on the relevant material on funding needs that is now included in the options section. Even if it is not possible at this stage to present the expected impacts in quantitative or monetary terms, the report should include a qualitative discussion of these impacts, and indicate how the necessary information will be obtained for any future impact assessment work. It should state explicitly that the first step to be taken now is a public consultation on the White Paper, of which the results will be reflected in follow-up proposals with regard to insurance guarantee schemes.

*Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.*

**(D) Procedure and presentation**

The report should indicate more explicitly the planned next steps in the development of this policy, and what impact assessment will be undertaken to inform these. It should present the results of earlier consultations and indicate whether these are still representative for current Member State and stakeholder opinion

Although the report will need to be significantly rearranged, and a considerable amount of information will have to be added, a serious effort should be made to present the main issues in no more than 30 pages, with clear references to deeper analysis or background information in the Annexes.

**(E) IAB scrutiny process**

Reference number	2009/MARKT/075
External expertise used	No
Date of IAB meeting	10 March 2010