



**THE SENATE
OF THE PARLIAMENT OF THE CZECH REPUBLIC
8TH TERM**

45TH

RESOLUTION OF THE SENATE

Delivered on the 2nd session held on 9 December 2010

**on the White Paper on Insurance Guarantee Schemes
Senate Press no. K 129/07**

The Senate

I.

Agrees

with the necessity to enhance consumer protection in the internal market, including the protection of insurance policyholders;

II.

1. Emphasizes

that insurance systems are different and marked by specific features in each Member State;

2. Points out

in this context to high level of concentration of the Czech insurance market in which five largest insurers account for almost two thirds of the market, measured in terms of gross written premiums;

3. Draws attention

to the fact that guarantee schemes are less effective under conditions of highly concentrated markets because, when dealing with a failure of a major player, the available funds in the guarantee scheme cannot sufficiently cover the claims for reimbursement;

4. Reminds

that economic performance of insurers in the Czech market has been positive despite the ongoing financial and economic crisis and according to the data of the Czech Insurance Association there was an increase in both the amount of gross written premiums and profits of insurers in 2009, even though the GDP fell by 4 %;

5. Believes

that potential introduction of insurance guarantee schemes would result in passing of additional costs of insurance companies on to their clients in the form of higher premiums so that, in the end, these additional costs would be incurred by taxpayers;

6. Is of the opinion

that if insurance guarantee schemes were to be introduced, they should

- operate as a mechanism of last resort;
- contain limits for reimbursement of policyholders;
- be based on the principle of home country;
- minimize moral hazard;

7. Supports

strengthening the position of policyholders in winding-up proceedings with failed insurers, thorough and effective prudential regulation under the new Solvency II regime, enhancing the transparency of insurers and providing all relevant information to clients, in a clear and comprehensible manner, necessary for their qualified decision-making;

III.

1. Requests

the government to inform the Senate about the way this position was taken into account, and about further initiatives following this White Paper;

2. Authorises

the President of the Senate to forward this resolution to the European Commission.

Milan Štěch
sign manual
President of the Senate

Miluše Horská
sign manual
Senate Verifier