

Brussels, 03 FEB. 2011
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Dear President,

Let me thank you for transmitting the resolution of the German Bundesrat on the European Commission's White Paper on Insurance Guarantee Schemes {COM(2010) 370 final}. I acknowledge with pleasure the broad support and consent expressed by the German Bundesrat in the abovementioned resolution on the preferred options identified by the European Commission in its consultation paper.

In the White Paper, the European Commission sets out a coherent framework for EU action on Insurance Guarantee Schemes, protection of policyholders and beneficiaries. In particular, it proposes introducing a directive based on minimum harmonisation, in order to ensure that all Member States have at least one IGS in place that complies with certain basic criteria.

This initiative is inspired by the fact that despite enhanced prudential regulations and more effective risk management and governance structures under Solvency II, the collapse of insurance undertakings cannot be fully excluded. If we wish to avoid resorting to taxpayers' money in the event of a failure in the insurance sector, IGS should be established— as last resort mechanisms which come into effect when all other available means are exhausted.

Following the consultation period, the European Commission will start working on a legislative proposal which will be tabled in the course of 2011. To this end, the European Commission will carefully evaluate all the feedback received. It will also carry out a new impact assessment in order to ensure that the future proposal will be economically sound and in full compliance with the principles of proportionality and subsidiarity.

Please be assured that the specific concerns raised by the Bundesrat, in particular regarding the scope of protection and the scope of eligible claimants as well as regarding possible harmful effects of compensation limits and other reductions in benefits, will be duly taken into account when drafting the legislative proposal.

Finally, let me thank you again for the open and constructive support by the Bundesrat in respect of the European Commission's endeavour to establishing a coherent framework on Insurance Guarantee Scheme protection at EU level.

Yours sincerely,

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