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AAE summary response to Discussion paper on Resolution funding and national IGSs (Reference EIOPA-CP-18-003)

The AAE welcomes EIOPA's aim to gather feedback from stakeholders on resolution funding and national insurance guarantee schemes (IGSs). Questions asked in this discussion paper relating to the funding of IGS and resolution are strongly interconnected to other issues, e.g.

- EIOPA has identified as an element of pre-emptive planning the requirement for recovery and resolution plans as an additional macro prudential tool
- Supervisory convergence and quality of supervision are issues which are being addressed in EIOPA's work programme.

Developments in relation to these two issues will influence the quality of supervision in Europe and hence the need for IGS and the strength of such schemes.

Solvency II requirements, if applied in a consistent fashion across Europe, will ensure a high standard of prudential supervision and, by protecting consistently against the risk of insurer failure, ensure consistency of policyholder protection across Europe. The quality of supervision under Solvency II is an important factor to be considered in assessing the minimum standard of IGS required as well as lines of business and covers to be included in its scope.

We agree that there should be a minimum degree of harmonisation of policyholder protection in the EU in case of insurance failure. We consider that maintaining the status quo is not sufficient as it could lead to material inconsistency of policyholder security from country to country. A European network of national IGSs would provide greater consistency and should be considered. Differences in supervisory practice, national systems and types of insurance business make the establishment of a single EU-wide IGS impractical.

Eligibility conditions governing access to IGS should be clearly specified. IGSs should act as a source of resolution funding of failing insurers but should not in themselves act to prevent the insolvency of a distressed undertaking.

The AAE does not agree that the valuation of a business in a "gone concern" state should necessarily differ materially from the same business in a "going concern" state (see §29) given the risk free, market consistent valuation which applies under Solvency II.

For more information please contact

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