

ACTUARIAL ASSOCIATION OF EUROPE (AAE) INPUTS ITS COMMENTS ON EIOPA BOS 19-259, CONSULTATION PAPER ON PROPOSALS FOR SOLVENCY II 2020 REVIEW - HARMONISATION OF NATIONAL INSURANCE GUARANTEE SCHEMES

AAE considers that 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, will 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 Insurance Guarantee Scheme (IGS) required as well as lines of business and covers to be included in its scope.

AAE agrees 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.

In response to specific questions on the subject, the following points represent AAE view:

- Legal structure of IGSs should be left to the discretion of Member States
- IGS and recovery and resolution should ultimately form part of an integrated regulatory regime, but linking development of the two elements could unduly slow the development process
- In general, the ideal means of implementing IGSs is on the basis of compensation for short term policies and continuation for long term policies
- Issues with the home-country principle include accessing non home-country customers and lack of harmonisation of insurance markets. Host-countries establishing a “front-office” to support such issues could be helpful.
- Policies where the failure of an insurer could lead to considerable financial or social hardship for policyholders and beneficiaries should be subject to IGS protection.
- Natural persons and micro and small-sized entities should in general be covered by IGSs as they are particularly vulnerable to failure of their insurance policies. Consideration should be given to extending some coverage to large legal persons where the ultimate beneficiaries are retail customers.
- Target level of coverage should reflect volume of business and associated risk. There may be different levels applicable to life and non-life business.
- Insurer contributions should be risk-based.
- Funding of the relevant scheme should be included in policyholder disclosure.

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