



EUROPEAN PARLIAMENT

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*Committee on the Internal Market and Consumer Protection*

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**2011/2010(INI)**

14.4.2011

# **OPINION**

of the Committee on the Internal Market and Consumer Protection

for the Committee on Economic and Monetary Affairs

on Insurance Guarantee Schemes  
(2011/2010(INI))

Rapporteur: Louis Grech

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## SUGGESTIONS

The Committee on the Internal Market and Consumer Protection calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. whereas the recent economic downturn has exposed a number of serious shortcomings and inequalities in the Single Market, all of which have had adverse implications for consumers' and citizens' confidence; whereas, in order to protect consumers' rights and restore their confidence in the financial markets, the EU must take urgent action and take due account of consumer interests in all current and future initiatives,
- B. whereas the lack of harmonised IGSs at European level and the diverse regimes among Member States have led to ineffective and uneven protection for insurance policy holders and have slowed down the functioning of the insurance market by distorting cross-border competition,
  - 1. Believes that the adoption of a common Insurance Guarantee Scheme (IGS) at EU level and the adjustment of the diverse IGS regimes existing in Member States would effectively improve citizens' confidence, protect consumers' and taxpayers' rights and enhance market stability, in the insurance sector in particular and in internal market and financial services in general; therefore welcomes the Commission's initiative to establish a minimum harmonisation framework regarding IGS;
  - 2. Agrees that the Solvency II Directive does not create a zero-failure environment for insurance companies and does not protect consumer losses in any potential failure of insurance undertakings; therefore calls on the Commission to ensure the consistency and coherence of the common IGS to be adopted with the Solvency II Directive;
  - 3. Acknowledges that the most realistic and useful approach at the moment would be to establish a coherent and legally binding framework of IGS protection based on minimum harmonisation, which should not undermine the protection already offered by some Member States; agrees that, in the longer term, the aim should be to harmonise provisions on important consumer issues, such as the home Member State principle, compensation limits and other related matters; takes the view that, once the legislative framework on the IGS comes into force, the Commission should carry out an expert evaluation to determine whether the legislation has achieved its main goals and key objectives; concurs with the view that the IGS legislative structure should be based on proper impact assessments;
  - 4. Argues that, in order to ensure comprehensive and continuous protection for policyholders and beneficiaries, the Commission should retain and take into account other protection mechanisms and legislative provisions that are already in place; believes that the IGS should be activated when other protection mechanisms have failed;
  - 5. Believes that future IGSs should be based on the home Member State principle, especially for cross-border insurance branches, provided that Member States offer a high degree and equal level of consumer protection for all natural persons – whether policyholders or other beneficiaries – covered by all types of insurance contract pertaining to consumers (life and

non-life);

6. Notes that there is no guarantee scheme for second pillar pensions managed by pension funds, whilst insurers providing pensions would be subject to an IGS; therefore insists that second pillar pension products must be covered by distinct and separate schemes resulting in equivalent levels of protection for all pensioners;
7. Insists that the information available to consumers in the event of an insurer's insolvency should be easily accessible, comprehensive and easy to follow, with clear indications as to which authority the consumer should approach when making claims or enquiries; is convinced that setting up a single point of contact for all financial guarantee or compensation schemes would ensure that the existing legislation really benefited consumers, especially as regards providing information and facilitating cross-border contact and payments;
8. Stresses that consumers' knowledge and awareness of financial services and associated risks should be improved; therefore suggests that a mechanism similar to the European Standardised Information Sheet (ESIS) should be introduced for insurance policies, which will include clear mandatory risk warnings on complex insurance-linked investment products and on the existence of an IGS linked to a specific national authority in order to make it easier for a policy holder to understand insurance products and gain access to all relevant information;
9. Believes that, in order to ensure a high level of consumer protection in the event of insurer default, a European framework for IGSs should provide a choice between financial compensation for losses and continuation of insurance contracts by portfolio transfer, and that the latter should be the preferred option, ensuring that, in all circumstances, the policyholder does not suffer any loss of rights and privileges stemming from the policy; recommends that consideration should be given to establishing a limit on compensation for non-compulsory insurance, while guaranteeing maximum compensation for compulsory insurance;
10. Notes that, in a number of insurance markets within the EU, compensation limits for similar insurance and banking investment products are not aligned; considers that the Commission should ensure that in such cases the same level of protection that applies to bank deposits and investment funds applies to holders of insurance-linked investment products sold by insurance companies;
11. Believes that funding arrangements for IGSs should be based on both ex-ante funding, subject to detailed impact assessments, and ex-post funding, and that a wider debate at European level is needed in order to ensure that ex-ante funds are set at a reasonable percentage level which will benefit the consumer without putting too much strain on the insurer; recognises that ex-ante contingency funds would benefit the insurance companies, as they would instil good business risk management;
12. Calls on the Commission and the Member States to endorse effective governance and supervision of the IGSs by Member States' competent authorities and EIOPA and to strengthen cooperation between national authorities and EIOPA in order to ensure

consistency in the approaches of the IGSs; insists that home supervisory systems with the approval of EIOPA should test whether IGSs are capable of resisting the failure of one or more insurers and should also facilitate the exchange of information and best practices;

13. Recognises that market concentration issues could place strains on the ability of an IGS to absorb all policyholder claims resulting from the bankruptcy of one or a number of insurers; believes that rules on IGS that could lead to further strains on concentrated markets must be avoided.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	13.4.2011
<b>Result of final vote</b>	+:           34 -:            0 0:            3
<b>Members present for the final vote</b>	Pablo Arias Echeverría, Adam Bielan, Lara Comi, Anna Maria Corazza Bildt, António Fernando Correia De Campos, Jürgen Creutzmann, Christian Engström, Evelyne Gebhardt, Louis Grech, Małgorzata Handzlik, Iliana Ivanova, Philippe Juvin, Sandra Kalniete, Eija-Riitta Korhola, Edvard Kožušník, Kurt Lechner, Toine Manders, Mitro Repo, Robert Rochefort, Zuzana Roithová, Heide Rühle, Matteo Salvini, Christel Schaldemose, Andreas Schwab, Eva-Britt Svensson, Róza Gräfin von Thun und Hohenstein, Kyriacos Triantaphyllides, Emilie Turunen, Bernadette Vergnaud, Barbara Weiler
<b>Substitute(s) present for the final vote</b>	Ashley Fox, María Irigoyen Pérez, Constance Le Grip, Pier Antonio Panzeri, Konstantinos Poupakis, Sylvana Rapti, Olle Schmidt