

AMICE Response on EIOPA's Consultation on harmonisation of national insurance guarantee schemes

AMICE welcomes the opportunity to provide feedback on EIOPA's consultation paper on harmonisation of national insurance guarantee schemes.

AMICE believes that there is no rationale for minimum harmonisation in the field of IGS. Following the extensive enhancements of the insurance regulation regime in recent years, adequate protection of policyholders is at the core of Solvency II. This new system of regulation protects through a system of two capital requirements which ensures the early detection of financial difficulties. The supervisory ladder of intervention in Solvency II allows for supervisory actions while there are still assets in the regulated entity to meet obligations to policyholders. Solvency II also contains provisions for the winding-up of insurers and national insolvency laws to complement these.

Historically, insurers have proved resilient in times of challenge and required little in terms of government support; this is even less likely in the future due to the new environment under Solvency II in Europe.

Insurance failures are very rare and given the general lack of interconnectedness do not affect other insurers or the payment systems, contrary to the systemic impact of failure in the banking sector.

Consumer protection needs are different in the insurance sector to the banking sector. The type of issues that bank guarantee schemes address does not exist in the insurance sector. Rules applied to insurance should fully reflect the important differences between the business models and risk profiles of the two industries, taking into account aspects such as long time horizon, illiquidity and contingent liabilities as unique characteristics of insurance, making it a distinctly different business model from that of banking. If a crisis does occur, insurers can typically be wound up in an orderly manner through run-off and/or portfolio transfers, in contrast to the situation with the banking sector.

National insolvency laws already provide sufficient safeguards as regards consumer protection through prudential rules, rules on winding-up and right of priority.

AMICE believes that existing tools and powers should be used before introducing any new regulatory framework on IGS. The introduction of further regulation will fail to solve the most serious challenge, i.e. the lack of or insufficient supervision in the early stages of an insurer's irregular performance. A proper enforcement of Solvency II and high-quality supervision by national competent authorities remain the only ways to ensure a healthy insurance market.

Moreover, EIOPA should better acknowledge that there remain different local and cultural approaches to insurance and therefore, there is no case for harmonisation in guarantee schemes.

To conclude, we do not believe it is necessary to introduce a minimum degree of harmonisation in the field of IGS since Solvency II already provides a sufficiently robust prudential framework with policyholder protection at its core.