Technical Annex for EIOPA's Advice on Minimum Common Rules for Insurance Guarantee Schemes in the EU

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INTRODUCTION TO THE TECHNICAL ANNEX

1.1 This Technical Annex analysizes in more detail and further develops the four areas presented in EIOPA's Advice. In particular, it looks into all the options explored by EIOPA to form its Advice to the European Commission. It further provides an impact assessment vis-à-vis the four objectives presented in the Advice.

1.2 As a starting point for the following assessments, EIOPA uses its Opinion on IGS delivered in the context of the 2020 Review of Solvency II. The relevant provisions of such Opinion are also included as part of the different sections.

1.3 The score used to assess the impact of the different policy options on these four objectives are as follows 0 / + / ++ / - / - - with

- 0 no impact;
- + indicates some positive but not major impact;
- ++ indicates major positive impact;
- - indicates some negative but not major impact; and
- -- indicates major negative impact.

1.4 The scores are used consistently throughout all four policy areas as identified in EIOPA's Advice.

1.5 Where deemed needed, this Annex includes areas of further consideration or explicit case studies formatted as 'blue boxes' and 'Potential areas of additional work not directly related to this Call for Advice' respective 'Case study'.

1.6 Via 'grey boxes' EIOPA has included the view by stakeholders. Those views were collected during an online workshop held 4 February 2026 and a following online survey. These stakeholders' views are also not part of EIOPA reply to the Call for Advice, but intend to give a holistic perspective on the issues.

SECTION 1: GENERAL QUESTIONS ABOUT THE IMPACT OF MINIMUM HARMONIZED IGS

EXTRACT FROM THE CALL FOR ADVICE

2.1 EIOPA is requested to provide advice on the advantages and disadvantages of generic, all-encompassing IGSs covering all life insurance policies, non-life insurance policies or both and specific, more focused, IGS covering only one type or a selection of types of policies.

2.2 Regarding its earlier advice on eligible policies, EIOPA is requested to supplement it with information on the level of standardization of these policies across the EU, their cross-border relevance in view of the single market for insurance, and whether the coverage of these policies in a minimum harmonized IGS framework would have a significant economic impact in terms of increased protection for policyholders and additional costs for the insurance sector, allowing the Commission to balance different angles on IGS harmonization.

2.3 In addition, it is required to analyse how minimum common standards for IGS could result in the insurance sector offering more services across the EU, and how consumers could benefit from increased choice of insurance services and higher protection in case of failure.

RELEVANT IRRD-PROVISIONS, PREVIOUS EIOPA ADVICE, AND REGULATORY BACKGROUND

Relevant legal provisions

2.4 For the definition of insurance guarantee scheme, see Article 2(62) of the IRRD and Article 98 of the IRRD.

Previous EIOPA work

2.5 The EIOPA 2020 Opinion highlighted EIOPA's preferred option is that national IGSs should cover specific life and specific non-life policies. In particular, the following eligible policies were mentioned as examples of policies that should be covered:

- Life policies (contract-related protection):
  - Health
  - Savings and life
  - Occupational pensions by life insurers falling under Solvency II
- Non-life policies (claims-related protection):
  - Fire insurance (risk class 8)
  - Liability insurance (risk class 13)
  - Accident (risk class 1)
  - Suretyship (risk class 15)
  - Sickness (risk class 2)
  - Other damage to property (risk class 9)

2.6 EIOPA also advised that Member States should have the flexibility to identify the policies commercialized at national level, which correspond to the business lines to be covered at EU level.

IMPACT OF COVERING DIFFERENT INSURANCE POLICIES

ANALYSIS

2.7 According to EIOPA's 2025 Eurobarometer survey, a significant portion of EU consumers hold life insurance products, specifically term life insurance (23%), occupational pensions (21%), and life-based investment or savings products (17%). In the non-life sector, ownership is dominated by household insurance (62%), followed by accident insurance (32%) and private health insurance (27%), as detailed in Table 1 of the additional information at the end of this Annex.

2.8 These findings underscore that the eligible policies defined in EIOPA's 2020 Opinion represent the highest tiers of consumer ownership[1]. While certain lines—such as voluntary motor insurance (Casco)—show high penetration, they are excluded from the primary scope as the resulting financial hardship from insurer insolvency is generally lower than that of the defined eligible policies. Consequently, and in alignment with EIOPA's 2020 Opinion, this analysis focuses primarily on those products with high-ownership and for which there are significant societal benefits, providing information on other insurance products or LoBs where appropriate for comparison purposes and to contextualize the analysis.

2.9 In particular, this section provides a nuanced understanding of the specific policies that could be feasibly covered by an IGS, through a detailed examination of the following key criteria:

- Level of standardization of these relevant insurance policies across the EU
- Cross-border relevance with the view of supporting the Single Market and consistent consumers' outcomes in case of failures of providers offering insurance on a cross-border basis
- Impact of the coverage of eligible policies in terms of protection for policyholders
- Impact of the coverage of eligible policies for the insurance sector

2.10 Although EIOPA's 2020 Opinion defines eligibility based on risk classes, certain data required to supplement this analysis—as mandated by the Call for Advice—is only available to EIOPA – without requiring an additional data collection – at the level of Lines of Businesses (LoBs) (e.g., cross-border data from Solvency II Quantitative Reporting Templates) or at product level. Consequently, while the analysis prioritizes risk classes where feasible, it defaults to Solvency II Lines of Business (Annex I, Delegated Regulation 2015/35) in instances where the available data does not permit such classification[2]. Information at product level is also provided as relevant.

2.11 In line with EIOPA's 2020 Opinion, the analysis focuses on the retail policies, including group contracts where the ultimate beneficiaries are retail consumers[3]. There are reasons to target

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[1]According to EIOPA's 2020 Opinion, the following risk classes should be protected by IGS: fire and other damage to property (risk classes 8 and 9), liability insurance (risk class 13), accident (risk class 1) and sickness insurance (risk class 2). Most of the products mentioned in Table 1 fall under those categories: Coverage for damage to property from natural forces (risk class 8), Household insurance (risk classes 8 and 9), PPI/ Income Protection insurance (risk class 1), Private health (risk class 2) and Accident (risk class 1)

[2] While "Fire" and "Other damage to property" represent two distinct risk classes, they are categorized under the same Solvency II LoB. Conversely, as the "Accident" risk class lacks a direct LoB equivalent, "Income Protection" and "Worker's compensation" have been utilized as appropriate proxy. Similarly, the "Medical Expense" LoB has been adopted as a proxy for the "Sickness" risk class. When the analysis refers to LoBs, Health is a life LoB and Medical expense is a non-life LoB. When the analysis refers to risk classes, Health is a life risk class while Sickness is a non-life risk class. Separately, "health" is also used as a general descriptor for medical status or the broader health sector.

[3] Life lines of business are predominantly retail-oriented, as are non-life segments such as medical expense, assistance, and income protection; notably, while these may be structured as group contracts, the ultimate beneficiary remains the individual consumer. Other segments, including miscellaneous financial loss, general liability, and motor, represent mixed lines of business with both retail and

minimum harmonization of IGS protection to retail consumers only. This is because larger commercial policyholders are in a better position to evaluate the soundness of the insurer and seek alternative protection. This applies in the non-life market- for example to aviation and transit (MAT) or credit insurance. For the same reasons, reinsurance policies are typically outside the scope of IGS protection.

2.12 Detailed coverage for existing and emerging IGSs is mapped to the lines of business in Table 2 of the additional information at the end of this Annex.

Level of standardization of relevant insurance policies across the EU[4][5].

2.13 This section examines the feasibility of including specific policies (risk-classes) within a minimum harmonized IGS framework. It is important to note that a minimum harmonized IGS framework does not mean standardization in terms of what insurance policies should cover and exclude but rather that minimum harmonization should exist across the EU in terms of the risks covered by an IGS. It focuses on minimum standardization of the risks covered by an IGS in cases of insurers' failures. The assessment of the level of standardization of the eligible policies evaluates the identified eligible policies based on the following criteria:

- Standardization in terms of coverage and product design; and
- Assessment of the mandatory status of the eligible policies across EU.

Standardization in terms of coverage and product design

2.14 The analysis looks at the specific risks covered across jurisdictions[6] and at how the investment component works for savings policies – rather than the specific technicalities of how those risks are indemnified and/or how the value of the savings is paid out. Consequently, while a particular risk may be broadly insured across multiple countries, the exact scope, amount, and terms of coverage may still vary significantly between Member States.

2.15 A notable degree of homogeneity is observed across EU countries, with respect to the specific coverage included in various eligible insurance policies (see Table 3 in the additional information at the end of this Annex for a detailed breakdown). For instance:

- Insurance policies covering accidents, in at least 25 Member States, consistently include coverage for death and permanent disability, and in at least 22 Member States include temporary disability and related medical expenses resulting from an accident.
- Fire and other damage to property[7] insurance policies, where policies habitually cover both the structure of the building (in 25 Member States) and the personal property and belongings inside the building (in 22 Member States).
- Liability insurance policies, in at least 18 Member States, include professional indemnities such as medical malpractice as well as architectural and financial errors. Therefore, despite the inherent diversity of liability products, often inherently connected to different professions and

commercial characteristics. Conversely, large risks such as marine, aviation, and transport, along with credit and suretyship, are usually classified as commercial lines of business.

[4] This information stems from NCAs' general market oversight rather than a granular analysis of every policy, as the absence of pre-notification requirements limits their direct access to all policy documentation.

[5] Discrepancies between data contained in this document and other sources may arise from differing filters, data resubmissions, or adjustments made to ensure confidentiality.

[6] A more generalized analytical framework is applied to unit-linked and profit-participation products. Features such as for example average duration have not been analysed.

[7] Nat cat is also frequently covered under fire and other damages policies (BE, CZ, DK, EE, FI, IT, LI, LV, MT, NL, SE, SI).

to the mandatory nature of these policies in some Member States, a degree of standardization remains evident across these policies.

- Furthermore, coverage for sickness is aligned in 20 Member States, with sickness policies always covering hospitalization and medical expenses arising from sickness, and in 16 Member States covering a lump-sum payment in case of critical illness.
- Finally, life insurance (protection products[8]) products are highly standardized at the EU level, with contracts in 22 Member States providing benefits in the case of death of the policyholder and 18 Member States also offering to survival benefits.

2.16 With regards to products with a saving and investment component, their design features show some elements of standardization as well as some divergences.

2.17 As shown by EIOPA in its annual costs and past performance reports[9] – which compare these products annually – insurance-based investment products (IBIPs) have some clear common core features. The vast majority of IBIPs mix a savings/investment, dependant on market returns component, with biometric risk coverage given beneficiaries a benefit in case of a biometric event materializing. The investment component has some clear similarities within the macro group of IBIPs (i.e., profit participation and index and unit-linked products). Biometric risk coverage is always present; however, the level varies across products and jurisdictions:

- **Products with profit sharing mechanisms**: these products in all Member States provide insurance benefits through eligibility to participate materially in periodic discretionary distributions based on profits arising from the insurance undertaking's business. Most of these products have a minimum guaranteed return or capital protection – except for some cases such as Greece, Finland, Iceland, Liechtenstein, Norway or Slovenia. However, the way in which assets are selected, and the profit-sharing mechanisms vary significantly. In fact, these policies give a return to consumers on their net premium which is based on the overall performance of the undertaking. While this is common across Member States, the part of the return which needs to be shared with consumers and how this is calculated vary across Member States.
- **Index and unit-linked policies:** these products, in all Member States, are characterized by the fact that the benefits are wholly or partly determined by reference to the value of a fund or index, thus exposing consumers directly to market fluctuations with some differentiations across Member States on eligible assets. While the Solvency II framework mandates the clear identification of underlying assets for unit-linked products, it does not impose a requirement for the legal segregation or separation of those assets from the undertaking's ones. In some jurisdictions specific segregation and ring-fencing requirements exist. The investment risk is borne by the policyholder and also the fact that while consumers are paid the value of the unit in case of surrender, they hold a contract with the life insurance and the value of their policies is directly exposed to market fluctuations. In practice, in some Member States, funds for these policies need to be hold separately, thus functioning as a safekeeping in cases of failures. Similarly, in some Member States there are restrictions on the type of assets which limit consumers' losses and liquidity risks.

Mandatory status of the eligible policies across EU

2.18 A review of mandatory policies across EU countries (see table 4 in the additional information for a detailed breakdown) reveals a discernible pattern: non-life policies are more likely to be designated as mandatory whereas life policies are rarely compulsory. The most frequently

[8] Other Life LoB

[9] Costs and past performance report - European Insurance and Occupational Pensions Authority

mandatory non-life policy[10] in EU countries is liability insurance, in particular, professional liability insurance, which is mandatory in 18 countries, and worker's compensation insurance, which is mandatory in 10 countries.

2.19 The analysis of the relationship between IGS coverage and mandatory policies (see table 5 in the additional information) reveals a lack of clear correlation. Although IGSs in place tend to provide coverage for life policies, these types of policies are generally not compulsory in EU countries. Regarding non-life insurance, across Member States, the requirement for mandatory insurance does not inherently dictate inclusion within an IGS framework, as the most frequently mandated policies, professional liability, are integrated into an active IGS in fewer than half of the corresponding jurisdictions.

Cross-border relevance

2.20 The weight of cross-border business at the end of 2024 was 11.8% of the total gross written premiums of EEA. Taking into consideration just direct business, cross-border premiums[11] amount to 127 billion euros approximately, with non-life policies accounting for approximately 59% of the total cross-border premiums (Fire and Other Damage to Property 15% of the total direct cross-border premiums and General Liability LoB 11% being the most predominant LoBs). In contrast, life[12] insurance business represents a smaller proportion, constituting around 41% of the total cross-border volume. However, the Unit-linked and Index-linked LoB is the primary line of business distributed on a cross-border basis, accounting for 27% of the total cross-border business.

2.21 The non-life eligible policies, as defined by the 2020 Opinion, comprise approximately 32% of the direct cross-border business. This figure increases to 37% when the Credit and Suretyship LoB is included, although it is noted that not all these policies would necessarily be considered eligible. Data on annuities has been excluded from this analysis due to the limited number of observations available. See Table 6.1 in the additional information for more detail.

2.22 As illustrated in Table 6.2 of the additional information, direct cross-border activity is most prominent within the Credit and Suretyship LoB, where it accounts for 50% of the total GWP. General Liability LoB ranks fourth, following MAT and Miscellaneous Losses LoBs, with a 25% cross-border share. Significant activity is also observed in Fire and Other Damage to Property LoB at 14%, while Unit-Linked and Workers' Compensation LoBs both exceed the 10% threshold at 13% and 11%, respectively. Furthermore, although the Other Life LoB reports a lower cross-border GWP of 8%, international activity remains highly relevant for mortgage life insurance, consistent with findings from previous thematic reviews.

Impact of the coverage of those policies in terms of protection for policyholders and additional costs for the insurance sector

2.23 The economic impact in terms of policyholder protection for the identified eligible policies is assessed based on the following criteria:

- Benefits of the IGS coverage of eligible policies
- Impact of the eligible policies for the economy
- Impact of the eligible policies for the policyholders (per capita)

[10] Motor third party liability is not covered in this advice and excluding also Aviation and Marine.

[11] Information on crossborder at technical provision level is limited.

[12] Current reporting, available at EIOPA's level, do not provide a distinct category for pensions.

- Impact of the coverage of eligible policies in terms of protection for policyholders

Benefits of the IGS coverage of eligible policies

2.24 Policies designated as eligible in EIOPA's 2020 Opinion are considered to pose a risk of substantial hardship to policyholders.

2.25 In that sense, the inclusion of long-term saving and protection products within IGS provides a safeguard for both individual financial security and broader economic stability. For saving products, which encompass over €5 trillion in European household assets, an IGS functions as a backstop that prevents market contagion and the potential for "runs" on solvent insurers. For protection products, the IGS allows to mitigate the acute financial hardship that occurs when policyholders lose essential future income or are unable to secure replacement coverage due to their age or declining health. To address these risks, the most effective approach would be the orderly transfer of liabilities to a solvent buyer. Furthermore, these policies are frequently integrated with other financial instruments, such as mortgages, thereby enhancing overall financial stability.

2.26 Fire and other damage to property products protect the most significant assets —homes and businesses— from catastrophic damage such as fire, flood, etc. Because claims in this line are often exceptionally large, an insurer's insolvency at the time of a major claim could leave policyholders with a total loss or a significant partial loss, resulting in severe financial hardship and the potential loss of shelter. Furthermore, claims settlement under an insolvency regime can potentially be a lengthy process adding further detriment to policyholders. Providing this security is essential to maintaining public trust in the insurance market and ensuring that the protection gap does not widen following a major insurance failure. Given that coverage for fire and other related perils is usually a mandatory requirement for mortgages being the real property the asset backing the mortgage, the inclusion of these risks within the IGS serves as a safeguard for the banking sector's stability.

2.27 Suretyship insurance is critical for contractual performance, particularly in the construction sector, where it protects beneficiaries against the failure of a principal to meet obligations. If an insurer becomes insolvent, these beneficiaries face significant, often massive, unpaid losses that can cause project delays, broken supply chains, or systemic "domino effect" defaults.

2.28 In the context of liability insurance, the IGS protects SMEs, self-employed professionals, and retail policyholders from ruinous litigation expenses and third-party judgments they could not otherwise absorb, while simultaneously closing a fairness gap for injured third parties who otherwise lack recourse to deal with damages they may have been caused.

2.29 Regarding sickness and accident coverage, if an IGS is designed such that it can ensure policy continuation it could prevent individuals from becoming uninsurable due to changes in health or age in relation to certain insurance policies. Furthermore, in some cases it could act as a liquidity bridge for accident benefits, ensuring that families receive critical death or disability support without the delays typically inherent in insolvency proceedings.

2.30 While other insurance policies such as travel, legal expenses, or non-compulsory motor (Casco), remain relevant to policyholders and the broader economy, they generally present a lower risk of financial distress for policyholders compared to the eligible classes identified by EIOPA in its

2020 Opinion. Furthermore, this assessment excludes 'Large Risks[13]'—including Marine, Aviation, and Transport (MAT), Goods in Transit, and Credit insurance—as these involve professional counterparties capable of managing insolvency risks without the intervention of a retail-focused guarantee scheme.

Impact of the eligible policies for the economy

2.31 While GWP and TPs are aggregate metrics, they serve as proxies for the breadth and depth of consumer detriment: high GWP highlights lines with extensive market penetration where a failure would cause widespread disruption to essential protections, while high TPs identify where the largest concentrations of policyholder claims and accrued entitlements are at risk. The scope of this analysis is limited to the insurance sector, and does not extend to an examination of its effects on the broader economic landscape.

2.32 A comparative analysis of GWP (see Figure 1 in the Annex) underscores the centrality of savings products or products with an investment component for the life insurance sector. Insurance with Profit Participation and Unit and Index-Linked LoBs collectively represent 78% of total life GWP. Looking at their relevance from a liability perspective these LoBs account for 90% of total life insurance technical provisions (profit participation at 52% and unit and index-linked at 38%). In the context of an IGS, these provisions are a critical metric, as they represent the contractual obligations and future payouts that the scheme would be tasked with protecting in the event of an insurer failure.

2.33 A review of the breakdown of GWP for 2024 by non-life lines of business (see Figure 2 in the Annex) reveals that the predominant LoBs in the non- life insurance sector are medical expenses (24%) and fire and other damages to property (23%), representing 47% of the total non-life GWP. The policies considered eligible in the 2020 Opinion account for approximately 65% of the total direct non-life GWPs. For this comparison, the income protection and worker's compensation LoBs have been utilized as a proxy for "Accident" coverage, while the medical expense LoB has been used as a proxy for "sickness" coverage. Notably, suretyship and credit insurance have been aggregated, as they cannot be readily distinguished, and collectively represent a 2% of the total GWP, thereby having a minimal impact on the overall landscape. From a technical provisions perspective, the eligible policies considered in the 2020 Opinion represent 64% of the total non-life technical provisions. The fire and other damages to property (18%) and general liability (29%) LoBs represent three quarters of the TPs eligible policies. Here only claims provisions[14] are considered for comparison purposes among the different lines of business, as according to the EIOPA Opinion 2020, unearned premiums should not be covered.

Impact of the eligible policies for the policyholders (per capita)

2.34 Looking at LoB data, EU citizens carry an average per capita risk exposure of €5,000 in case of unit-linked contracts and €7,000 in case of with-profit participation contracts (see table 7 in the Annex). The EU average hides wide disparities across Members: insurance penetration is low in countries like Romania but very in others like Denmark. This leads to wide variation in per capita exposure which, for example, in Denmark is 35,000 euros per unit-linked products and 21,000 euros for with-profit participation products. Additionally, because the data is averaged across the total population, the actual exposure per insured person is significantly higher as it also includes

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[13] Art. 13 (27) SII Directive

[14] As a whole and BE

consumers who are under 18. Beyond IBIPs, it is worth mentioning that according to EIOPA's database from the latest thematic review on credit protection insurance[15], approximately 50% of consumers holding a banking credit product—such as a mortgage, consumer credit, or credit card—also maintain credit protection life insurance. This penetration rate is highest among mortgage holders, at 58%. Hence, beyond the significant value that products with a saving and/or investment component have, also credit life products have an important value.

2.35 With regard to non-life LoBs, an analysis of the available data[16] (as presented in Table 8 of the Annex) reveals that the eligible policies -in terms of LoBs- with the highest average payments per claim in 2024 were credit and suretyship (6,318 euros), worker's compensation (968 euros) and general liability (742 euros). While this represents the average, numerous claims are significantly higher, presenting a risk of substantially greater losses.

2.36 Although for many policyholders the loss may be limited to unearned premiums, for those with outstanding claims at the time of failure, the consequences could be acute and potentially life-altering. In particular, affected policyholders may lose access to the financial support they rely on following a major material loss, significant physical damage, or after having been held liable for a costly event. The severity of this financial detriment varies significantly by LoB—such as the high exposure levels found in general liability—and the specific nature of the claim, which can range from minor property damage to total asset loss. Consequently, the true scale of harm is concentrated among a vulnerable minority who may be left without cover for significant liabilities.

Impact of the coverage of eligible policies in terms of protection for policyholders[17]

2.37 The core purpose of IGSs is to provide protection against default of insurance undertakings, which is a low-probability, high-impact event. Therefore, the value of an IGS exceeds the simple arithmetic of levies collected versus claims paid. This is indeed the case for most insurance where most insured persons will never experience a major loss. Yet for those whose homes are destroyed, insurance provides critical protection against potentially devastating financial consequences. IGSs operate on the same principle.

2.38 To assess the potential benefits to policyholders from the implementation of minimum harmonised IGSs, EIOPA has conducted an analysis of potential expected losses, employing the following formula:

Estimated losses = PD * LGD * number of active undertakings

being
PD = Probability of Default per entity
LGD = Loss Given Default (i.e. % of Technical Provisions) per entity

[15] Thematic Review on Credit Protection Insurance (CPI) sold via banks - European Insurance and Occupational Pensions Authority
[16] QRT S.20
[17] These figures represent average estimates and should be treated with caution. Given the low frequency of insurer failures, averaging effects are limited, and tail risks are material. In particular, the failure of a large insurer could generate losses well above these estimates. These figures should therefore not be interpreted as indicative of the potential scale of losses in adverse scenarios or as directly comparable to the size of existing IGSs.

2.39 From the EIOPA database on failures and near misses, EIOPA calculated the frequency of default to estimate the probability of default. While these figures represent historical default probabilities, they serve as a statistical proxy rather than a formal prediction of future failures. This database is based on a dataset that prioritizes "economically relevant" failures[18] and is subject to a reporting cap of five events per year per jurisdiction, with an additional cap of five cases applied cumulatively for the period 2000-2014. Therefore, while the default frequency calculated based on this database provides an indication, it may underrepresent the absolute frequency of failures.

2.40 An analysis of historical data, contained in the EIOPA database of failures and near misses, since the implementation of the Solvency II framework in 2016 reveals a total of 36 reported failures[19][20]. To provide a more nuanced understanding, the failures were categorised into three groups based on the total assets held by the company at the time of default. For simplicity, these groups are referred here to as large (total assets exceeding €12 billion), medium (total assets between €0.5 billion and €12 billion), and small (total assets below €0.5 billion). This segmentation yielded average annual failure rates of 0.1 (large companies), 0.4 (medium companies), and 3.1 (small companies) per year, respectively. With approximately 2,461 EU entities[21] active on average each year since 2016, the average frequency of default is 0.048% for large companies, 0.053% for medium companies, and 0.206% for small companies[22].

2.41 The calculation of Loss Given Default (LGD) could not be undertaken using the aforementioned database. The reason is that estimated losses are frequently not reported (only 11% approximately of the cases quantified/reported estimated losses), as highlighted in the EIOPA report on failures and near misses[23]. The lack of reporting can be attributed to various factors, including: (i) the fact that potential losses can only be accurately determined upon completion of the liquidation process, resulting in broad estimates; (ii) the inability to quantify losses that entail changes to policy parameters, such as guarantee rates; (iii) the absence of clear differentiation between values predating and postdating IGS compensation; and (iv) limitations in data availability, with relevant information often residing with the liquidator rather than the supervisory authority.

2.42 In the absence of alternative data sources, EIOPA has utilised the LGD used in the study published by the Joint Research Centre (JRC) in 2021 on Insurance Guarantee Schemes[24] (JRC report). This study estimates the LGD to be 15% of the insurance liabilities (Solvency II technical provisions), based on previous studies.

2.43 With regard to liabilities, EIOPA's analysis is based on the life and non-life gross (of reinsurance ceded) technical provisions pertaining to eligible policies[25] as at the end of 2024. For the purposes of the analysis the risk margin is excluded, i.e., the calculations encompass the technical provisions

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[18] The economic significance should be understood in terms of a) costs of the potential failure; or, if no cost involved, b) size of the firm involved.

[19] Reported as resolution or resolution with partial recovery. Please note that the term 'resolution' as used in this context is not aligned with the definition under the IRRD, as the historical data predates that regulatory framework. For a more detailed explanation of how 'resolution' is defined within this dataset, please refer to the EIOPA report on failures and near misses.

[20] In 6 out of 36 cases, MTPL premiums were reported, but these premiums never accounted for the entirety of the company's total premiums at the time of the event. As a result, , an IGS under MID would not have provided comprehensive coverage, as it would have only applied to MTPL policies.

[21] 207 large, 753 medium and 1501 small

[22] In case of taking into consideration from 1999 onwards, the probability of default is 0.19%.

[23] https://www.eiopa.europa.eu/system/files/2021-11/eiopa-bos-21-394-failures-and-near-misses-database-report.pdf

[24] JRC Publications Repository - Insurance Guarantee Schemes: quantitative impact of different policy options.

[25] Technical provisions of all life LoBs and for non-life the following LoBs: Medical Expense, Income Protection, Worker's compensation, Fire and Other damage to property, General Liability, Credit and Suretyship. For further details, please see section 3.1.1 of the Annex.

calculated as a whole and the Best Estimate liability[26,27]. Consistently with the EIOPA 2020 Opinion, which excludes unearned premiums from the scope of minimum harmonised IGSs, this analysis focuses on the Best Estimate of claims provisions for non-life business.

2.44 As previously outlined in this Annex, reinsurance contracts typically fall outside the scope of IGS protection, and consequently, the technical provisions considered in this analysis relate solely to direct business.

2.45 Based on the specified calculation criteria, the total technical provisions are estimated to be 6.5 trillion euros for life business and 0.3 trillion euros for non-life business. Particularly, in total for life and non-life, the technical provisions amount up to 5.6 bn euros for large companies, 1.1 bn euros for medium companies and 0.4 bn euros for small companies.

2.46 Therefore, considering a PD of 0.048% for large companies, 0.053% for medium companies, and 0.206% for small companies, LGD of 15%[28] of the insurance liabilities and 2059 entities active in 2024 in the LoBs considered eligible for IGS coverage, as explained in a previous section of this Annex, the estimated losses would be 0.51 billion euros.

2.47 This volume, calculated according to the methodology explained in the previous paragraphs, aligns with the funding requirements for IGSs derived from the JRC report (Table 10 of the JRC report). According to that report, based on a 25% alpha, a 0.1% PD—noting that the EIOPA historical average for 2016–2025 is 0.14%—and a maximum coverage level, the projected funding need is €0.8 billion. This comprises €0.7 billion for Life (based on share of Technical Provisions) and €0.1 billion for Non-Life (based on share of Gross Direct Written Premiums).

2.48 However, it should be noted that, in practice, the benefits for policyholders of a new harmonised IGS system might be lower than the full losses estimated in this analysis for two reasons. First, as highlighted in EIOPA's 2020 Opinion, policyholders may not receive full compensation in the event of an insurer's insolvency. Specifically, the Opinion advocates for a tiered protection framework, wherein a 100% guarantee applies only up to a predetermined threshold for cases involving social hardship, while other policy types are subject to percentage caps and deductibles to ensure the long-term viability of the scheme. Second, IGSs already exist in some Member States, i.e., some of these estimate losses are already being covered by existing national IGSs so the new harmonised system would bring more limited additional benefits in these Member States.

2.49 The benefits for policyholders and the cost of the IGS are two elements closely interconnected, as the cost or funding needs of the IGS will mostly become the (economic) benefits for policyholders, so both amounts are expected to be of the same order of magnitude. There are, however, some differences worth mentioning. First, the costs associated to the administration of the IGS, including the potential costs of liquidity safeguards. Second, depending on the policy option chosen for the IGS (ex-ante vs. ex-post) temporary differences might also be material. Third, in some countries the cost of the IGS might be passed to policyholders, while in other countries there may be some restrictions limiting this transfer. However, considering the limitations described above and the complexity of estimating them, this impact assessment provides a joint

[26] Gross BE without any transitionals.

[27] Negative best estimates on undertaking level have been capped at 0.

[28] Baseline scenario

quantitative estimate for the cost of an IGS and the economic benefits that would bring to policyholders.

2.50 In addition, it should be noted that the benefit for policyholders is not simply a monetary amount but also the extended cover that the IGS would provide, ensuring that policyholders and beneficiaries receive payments according to the defined coverage levels and limits even in case of insolvency of their insurance undertaking.

2.51 Beyond the above figures, the case studies presented in the additional information provide additional elements on the specific impact that failures could have on consumers and specific categories of consumers and this can further undermine trust in the sector.

- The FWU case underscores the risks of restricted access to savings; specifically, the FWU liquidation has proven to be a very lengthy process[29].
- The cases of Astra Asigurări, Conservatrix, and Gefion[30] Insurance demonstrate the significant impact of insurer failure on policyholders. Approximately 1.8 million policyholders were affected by Astra's failure, with estimated claims exposure of around EUR 157 million. In the case of Conservatrix, around 71,000 policyholders were impacted, with total liabilities of approximately EUR 800 million. Gefion's failure affected around 20,000 policyholders, with estimated liabilities of EUR 401 million. In these instances, policyholders experienced delays in claim settlement, partial losses, and reduced payouts, with some facing financial losses due to compensation caps or incomplete coverage. For example, Astra's policyholders have until now received only approximately EUR 125 million in compensation, which was subject to statutory limits per policyholder. Conservatrix's policyholders saw reductions in contractual entitlements, including cancelled guaranteed capital and future profit-sharing rights, and faced uncertainty due to early communication indicating initial expected recoveries of only 60-90%. Similarly, Gefion's policyholders faced uncertainty and potential losses, with claims (approximately 20,000 open claims) and premium refunds dependent on insolvency proceedings and varying levels of coverage across different countries as the failure affected policyholders in Denmark, the UK, Ireland, Germany, France, Poland and Italy. These cases highlight the vulnerability of policyholders in the event of insurer insolvency, underscoring the need for a reliable safety net to protect their interests.

2.52 The IRRD aims to mitigate the impact of the failure of an insurance company through the application of resolution tools, if this is assessed to be in the public interest. This does not mean that losses to policyholders can always be prevented. Therefore, also after the introduction of the IRRD, an IGS will still be of added value to enhance the protection of policyholders and complete the framework by providing coverage in those instances where other solutions are not possible or viable.

Impact of the coverage of eligible policies for the insurance sector

2.53 The establishment and regulation of IGSs based on common minimum standards would have a measurable economic impact on the insurance industry. The costs are mostly based on the combination of funding needs to cover the estimated losses (as discussed in section 3 of this Annex) in accordance with the determined coverage level and the costs of operationally running the IGS. These costs would vary across markets depending on different variables such as the market size and the extent to which these costs can be passed on to policyholders by increasing

[29] Alternative solutions may be found through resolution frameworks or national insolvency laws.

[30] Based on public information

premiums. In addition, the volume of these costs depends on the design characteristics of the IGS. These include the geographical scope, roles and functions, timing of funding (mostly ex ante or more ex post), eligible policies, eligible claimants and the coverage level. The additional costs also naturally depend on whether an IGS already exists and, if so, to what extent it already meets the minimum harmonisation requirements.

2.54 In particular, a key cost element relates to the funding of the schemes themselves. In case harmonized minimum standards require pre-funding or the build-up of target reserves, insurers would need to make regular contributions. The opportunity cost of tying up capital in guarantee funds would represent a recurring financial burden for the industry, which may affect profitability and capital management strategies, depending on the volume of the contribution. In markets where ex-post funding is used, costs may be less predictable, particularly following the failure of a large insurer, potentially leading to sudden and significant levies on remaining market participants.

2.55 In addition to funding requirements, one-off implementation costs would arise in jurisdictions where IGSs are newly introduced or substantially reformed. These costs include adapting internal systems, updating legal and contractual documentation, establishing reporting processes, and contributing to the creation of scheme governance and operational infrastructure.

2.56 One example of the potential costs of an IGS that needs to be set up is provided in DNB's analysis on the feasibility and affordability of a potential IGS in the Netherlands, described in the box below.

Case study: Estimated costs of a feasible and affordable potential IGS in the Netherlands[31]

In its analysis from 2022, DNB concludes IGS can be financed in a feasible and affordable manner if it is based on a combination of ex ante and ex post funding and follows a deterministic approach to calculate the IGS' funding needs.

Key assumption of the analysis is that failing insurers generally face solvency issues rather than liquidity shortfalls. Given this time dimension, it means that an IGS does not necessarily need to have all funding available immediately. Instead, the portion of ex ante funding should be aimed at a target level. Such a target level would be based on the number and magnitude of failures that the IGS should be capable to absorb on an immediate basis. In this way the IGS shows it is solidly funded to credibly guarantee the policies of a major insurer. In addition, DNB advocates for the availability of sufficient ex post funding to address any shortfalls but also to enable a pay-out over a longer period, such as where an insurer is resolved or wound-up in run-off.

Based on the specific design of the IGS, the ex ante funding needs would amount to roughly €500 million, sufficient to support the sale of two medium-sized Dutch insurers or to begin supplementing pay-outs during the run-off of a large Dutch insurer with a 10% shortfall and a 5% relative cap on the IGS-coverage of the policies. Building up this fund in a period of ten years would require annual levies of €50 million, which, if passed on fully to policyholders, would increase premiums by a mere 1%. The analysis also highlights the importance of risk-weighted levies, partly linked to solvency ratios, to strengthen incentives and fairness. Ex-post levies and temporary credit lines would provide additional safeguards to increase the fund's resilience.

2.57 The previous mentioned JRC report presents a parsimonious credit risk model which can use aggregate insurance data to estimate the loss distribution and funding needs of IGSs under

[31] DNB-Analysis, 'Feasibility and affordability of an insurance guarantee scheme in the Netherlands,' 13 October 2022.

different policy options regarding scope, nature of intervention and coverage. The results provide estimates of the levels of coverage that can be reached in each policy setting under different choices of funding levels. For more detail, please refer to the JRC study.

2.58 On the other side, the implementation of minimum harmonized IGSs offers a safety net that stabilizes the entire insurance ecosystem, directly benefiting insurers by fostering systemic resilience and consumer trust. While insurers initially bear the cost burden—which may be partially passed on to policyholders—these expenses could be offset by the long-term economic gains of a standardized framework. Furthermore, it is essential to consider that the current disparate IGS frameworks across countries would likely result in additional costs for those countries without an existing IGS, as they would need to establish a fully functional IGS, whereas countries with an existing IGS in place, covering all or part of the eligible policies, would likely face lower implementation costs. By ensuring a uniform level of protection across jurisdictions, thus limiting policyholders' losses in cases of failure, harmonization mitigates the risk of "contagion," where a single cross-border failure could trigger a more general loss of trust and also would create an unlevel playing field. Ultimately, as consumer trust strengthens and market integration deepens, the industry can expect higher insurance penetration across markets. This expansion not only diversifies insurers' portfolios but also improves long-term profitability by replacing market volatility with a more predictable environment for cross-border operations.

2.59 In addition, as previously mentioned, while existing IGS frameworks remain fragmented, the high prevalence of these schemes across Member States provides a functional foundation for minimum harmonization. For at least 17 Member States with already a maintaining or forming IGS, the transition is expected to be more resource efficient. For these Member States, the foundational infrastructure is already in place, meaning that the costs of aligning with the minimum standards—such as extending coverage to additional policy types—would be reduced compared to the initial setup expenditures.

2.60 With regard to the costs of insurance products, an analysis of the available data collected in the framework of cost and past performance work, reveals no discernible correlation between higher policyholder costs for IBIPs and the presence of an IGS in countries where such products are offered. Notably, as illustrated in Table 9 of the additional information, in the case of products with profit participation, the highest Returns in Investment Yield (RIY) in the short and medium term are observed in countries where these products are not covered by an IGS. Furthermore, with respect to unit-linked products, the data presented in Table 10 of the additional information indicates that countries without an IGS in place to cover these products report a RIY that exceeds the EEA average. These findings suggest that the presence of an IGS does not necessarily impact the cost of insurance products for policyholders in a consistent manner.

Overall Impact

2.61 The following table assesses for the different categories of insurance policies (at LoBs level) the level of standardization, cross-border relevance and economic impact on policyholders (using high (H), medium (M), low (L)). The associated costs for insurers are excluded from the following table, as the available data did not permit a granular distinction by specific policy type.

	Level of standardization	***Cross-border relevance[32]***	***Economic impact policyholders***
LIFE			
With Profit Participation	M	M	H
Unit-linked	M	H	H
Other life[33] (also including term life, mortgage life)	H	L (overall but high for some products such as mortgage life)	H
Health	L	L	H
Annuities health	M	L[34]	H
Annuities other than health	M	L	H
NON-LIFE			
Fire insurance	H	H	H
Other damage to property	H	H	H
Liability insurance	H	H	H
Accident	H	M	M
Suretyship	M	M[35]	M
Sickness (medical expense)	M	L	M

2.62 In terms of standardisation level beyond the above which presents a clear picture, it is essential to note that sickness and health products are inherently linked to the national health system.

2.63 Therefore, the assessment validates the insurance policies outlined in the 2020 Opinion as eligible candidates for IGS coverage[36]**:**

- Life insurance: in line with EIOPA 2020 Opinion, life, savings and health policies would be eligible. In particular, in terms of risk classes, all life risk classes except risk class 2 (marriage assurance and birth assurance). This includes occupational pensions offered by life insurers.

[32] The cross-border score is determined via a two-step process. First, based on Table 5.1, shares are categorized as follows: Low (0–5%), Medium (above 5% up to 20%), and High (exceeding 20%). Subsequently, the score is adjusted upward for any LoBs that reflect a share greater than 10% in Table 5.2.

[33] All life policies except policies with profit-participation, unit-linked policies, annuities and health policies.

[34] Due to the limited number of observations for the Annuity LoBs, this data has been excluded from the tables.

[35] Strong cross-border dynamics in certain segments (notably trade credit-related suretyship and guarantees in the real estate and tourism sectors), could lend themselves more readily to the free provision of services.

[36] Determining a harmonized minimum level for EU-wide IGS coverage requires balancing the granularity of lines of business, risk classes, and specific products. While Solvency II provides a unified classification for lines of business and risk classes, no such harmonization exists for individual products. Defining scope via Solvency II classifications ensures jurisdictional consistency but may create coverage gaps for market products with multifaceted risks. Currently, the EU landscape remains fragmented: some Member States provide coverage based on risk classes, others target specific products, and some employ different methodologies for the life and non-life sectors.

- Non-life insurance: fire and other damage to property (risk classes 8 and 9), liability insurance (risk class 13), accident (risk class 1), suretyship (risk class 15) and sickness insurance (risk class 2).

2.64 While this assessment focuses on minimum common standards for IGSs, Member States should retain the discretion to extend coverage to additional policy types beyond those identified as eligible here.

2.65 Operationalizing IGS coverage for savings products requires further technical assessments[37] including for profit participation policies how to have a minimum harmonization on how to calculate the redemption or transfer value of the policies. For unit-linked policies it requires distinct considerations on what aspects should be covered. In fact, by design, the market risk of unit-linked products is borne by the policyholder and excluded from IGS coverage. However, protection remains necessary where products feature guarantees or where ineffective asset segregation – or inadequate implementation by the provider (i.e., not putting the value of the units in segregated account) leads to losses during insolvency. Moreover, for unit-linked there are cases where an insurer's payment obligations may persist even during a suspension of fund trading; should the insurer become insolvent under these conditions, policyholders would still be adversely impacted. Therefore, an IGS would provide protection against the distinct risk of insurer insolvency or administrative failure, even in jurisdictions where asset segregation is mandated; however, in these jurisdictions the costs may be more limited as the segregation already providers a safeguard. Furthermore, ensuring equitable protection requires precise compensation calculations based on specific contract guarantees and valuation dates to minimize disruption for policyholders. When determining how coverage for unit-linked policies should work it is also important to reflect about the interaction with investors' compensation schemes as in case of insolvencies of the fund or fraud at the fund level coverage may be provided by the investors' compensation scheme also to unit-linked policyholders.

2.66 Regarding non-life, the operationalization of IGS coverage also involves some key technical and regulatory considerations to ensure effective implementation. For property insurance, a primary factor would be to determine also if catastrophic events would be covered and if so then consideration should be given to the alignment with existing national natural catastrophe protections and established public-private partnerships. Regarding sickness insurance, as a core national competence, the framework must account for the coordination of "in-kind" services, such as chronic care, while ensuring the system complements rather than duplicates state-provided healthcare. In the accident and liability sectors, the focus shifts toward long-term administrative and actuarial capacity. Implementing accident insurance coverage requires addressing non-standardized disability definitions and developing the technical infrastructure to manage recurring, multi-year payouts. Similarly, the "long-tail" nature of liability insurance necessitates robust funding models to manage claims that remain unsettled for decades and mechanisms for the fair valuation of compensation amidst evolving court judgments.

PENSIONS

Occupational pensions:

[37] The development of Level 2 or Level 3 legal instruments could help to establish a clearer framework for the operationalisation of the compensation scheme, providing more detailed guidance on its practical implementation.

2.67 This Technical Annex pertains exclusively to occupational pensions offered by life insurers under Solvency II, excluding IORPs, due to distinct legislative frameworks and in alignment with EIOPA's 2020 Opinion. For pensions, operationalising IGS coverage requires further work and assessment of the feasibility and merits of including occupational pensions provided by life insurers under Solvency II within IGS, or within an equivalent protection arrangement, with due consideration of national pension system design. Member States should analyse that personal pension schemes provided by life insurers under Solvency II could also be covered by the IGS and, where appropriate, assess equivalent protection arrangements for other occupational and personal pension schemes not provided by life insurers under Solvency II (i.e. other pension schemes that would not have an equivalent correspondent protection mechanism (IGS-like)). This assessment should consider the relevant regulatory and supervisory implications, with the objective of delivering the highest possible level of protection balancing however consumers' interests and the impact on consumers and the economy as whole.

Pan-European Personal Pension Product (PEPP)

2.68 Currently, the primary safety net for Pan-European Personal Pension Product (PEPP) savers is the mandatory segregation of assets. Under Article 48 of Regulation (EU) 2019/1238, PEPP providers are legally required to appoint a depositary for the safekeeping of assets, ensuring they are ring-fenced from the provider's own balance sheet. In theory, this measures that even if a provider becomes insolvent, the savers' investments remain untouched and can be transferred to a new entity. However, this "first line of defence" is not infallible; while it protects against financial contagion, it offers little recourse in cases of operational failure, such as fraud, embezzlement, or gross administrative negligence where assets are effectively lost or records destroyed.

2.69 When this primary defence fails, the reality for European savers becomes strongly fragmented. Because there is no harmonized European guarantee for PEPPs, the level of protection a PEPP saver receives depends both on the legal status of their PEPP provider and on the national laws of its home country. A PEPP saver with a PEPP offered by a bank might be protected up to €100,000 under the Deposit Guarantee Scheme, while another PEPP saver with a PEPP provided by an asset manager might only be covered up to €20,000 under the Investor Compensation Scheme. Furthermore, if the provider is an insurance company, PEPP savers are then exposed to the variance of national regulations governing protection of insurance liabilities.

REDUCTION OF FRAGMENTATION IN THE SINGLE MARKET

2.70 To explore the topic of how harmonised IGS standards influence consumer behaviour in the European insurance market, EIOPA developed and then commissioned a comprehensive behavioural study[38]. The study's primary objective was to assess the impact of a consistent EU-wide protection framework on individuals' decision-making processes, including their willingness to select insurance products, their propensity to choose cross-border providers, their level of trust in the protection system, and their tolerance for premium differences. The analysis focused on five Member States, namely Czechia, France, Germany, Spain, and Sweden, and examined three types of insurance products: household insurance, supplementary health insurance, and life insurance.

[38] https://www.eiopa.europa.eu/document/download/242e621d-3af6-45e9-9c99-d562db169a47_en?filename=EIOPA_IGS_Study.pdf

2.71 The study surveyed 3,000 adults across five countries (600 per country) using a series of nine choice tasks. Participants compared offers from domestic and foreign providers while choosing to purchase household, health, and life insurance, by holding all other variables constant, the analysis isolated the specific impact of price and IGS protection on consumer decision-making. In addition, the study assessed respondents' confidence in receiving claim payments during a hypothetical bankruptcy, comparing trust in domestic versus EU-based insurers.

2.72 For each product, a comparative framework (i.e., a group presented with the status quo and a group presented with a minimum harmonized IGS framework) is used to contrast current national protection arrangements against a harmonized EU framework, observing how different guarantee contexts influence consumer choice. Variations in terms of price was also presented.

2.73 The results across the three product groups show a clear trend where the introduction of minimum harmonised IGSs would reduce consumer indecision. Regardless of whether the product was household, health, or life insurance, the introduction of a minimum guarantee scheme consistently lowered the number of respondents who chose the "neither" option.

2.74 The introduction of minimum harmonised IGSs would also make – at equal protection conditions – consumers significantly more open to choose foreign providers when prices are competitive. While there is often a baseline preference for domestic insurance products, the study shows that introducing minimum harmonised IGSs makes cheaper cross-border options more attractive.

2.75 Furthermore, the introduction of minimum harmonised IGSs effectively mitigates the perceived impact of insolvency for both domestic and foreign providers across all three products. In every scenario, the number of respondents reporting low confidence in receiving claim payments after an insurer's failure dropped. In particular:

Household insurance

2.76 The introduction of minimum harmonised IGSs impacts consumer behaviour. In a scenario where domestic and foreign insurance options are priced identically, the implementation of minimum harmonised IGSs at an aggregate level results in more willingness to buy insurance with a 10 percentage point increase in the selection of the domestic household insurance provider, rising from 54% to 64%. Conversely, the proportion of respondents opting for "neither" option[39] decreases by 9 percentage points, from 34% to 25%.

2.77 When the foreign option is marginally cheaper, by 16%, the existence of minimum harmonized IGSs primarily reduces indecision and enhances the appeal of the foreign household insurance provider, with the share of respondents selecting the foreign option increasing by 8 percentage points, from 19% to 27%. This is accompanied by a decline in the "neither" category of 8 percentage points, from 34% to 26%. A similar pattern is observed in case that the foreign option is significantly cheaper than the domestic option.

2.78 The existence of minimum harmonized IGSs also increases respondents' confidence that they would receive their claim payment, with the share of low-confidence responses decreasing by 12 percentage points approximately.

[39] The "neither" option (or “none of these options”) allows respondents to reject both presented alternatives if neither meets their requirements, ensuring the results reflect realistic purchasing intent rather than forced choices.

Supplementary health insurance

2.79 The introduction of minimum harmonised IGSs has a lower impact on consumer behaviour regarding supplementary health insurance in comparison to household insurance, primarily reducing indecision, with limited reallocation between domestic and foreign providers, when premiums are identical.

2.80 However, when the foreign option is offered at a lower price, the treatment tends to reduce indecision and leads to a substantial rise in the selection of the foreign provider (by 13% approximately). At the same time, indecision declines by 4%, indicating that wider price differences reduce hesitation and lead to more decisive choices in favour of the lower-priced cross-border option.

2.81 The introduction of minimum harmonised IGSs in the event of a domestic supplementary health insurer failure also increases confidence that claims would be paid, with the treatment reducing low-confidence responses and strengthening perceived security in domestic insolvency scenarios. While confidence remains lower when the failing insurer is foreign, the existence of minimum harmonized IGSs systematically increases the share of high-confidence responses by 11% and reduce the lower-confidence replies by 12%, indicating that minimum harmonized IGSs strengthens consumers' sense of protection when purchasing a cross-border health insurance.

Life insurance

2.82 When domestic and foreign life insurance options are priced identically, the introduction of minimum harmonised IGSs has a moderate impact on consumer behaviour, situated between the effects observed for health and household insurance. The data indicate a slight increase in the selection of the domestic option, rising from 61% to 63%, and a minor increase in the selection of the foreign option. Concurrently, the proportion of respondents choosing "Neither" decreases by 4%, suggesting that the introduction of harmonised IGSs primarily reduces indecision among consumers, rather than prompting a substantial shift in preference between domestic and foreign options.

2.83 However, when the foreign life-insurance product is priced slightly lower, respondents display substantial price sensitivity, with the share choosing the foreign option increasing by 8%. The proportion selecting "Neither" also decreases indicating clearer decision-making. A larger price difference prompts a more pronounced shift in choices with the foreign option increasing by 10%.

2.84 The introduction of minimum harmonised IGSs is associated with a notable increase in confidence among consumers regarding the payment of valid claims in the event of a domestic life-insurance provider's failure, as evidenced by a 6% reduction in low-confidence responses. Furthermore, when considering the insolvency of a foreign life-insurance provider, although confidence levels remain relatively lower compared to domestic scenarios, the treatment leads to a significant upward shift in confidence, with an 11% increase in the share of confident responses.

2.85 In conclusion, the behavioural study conducted reveals that the introduction of minimum harmonised IGSs would have a positive impact on consumer behaviour, increasing confidence, reducing indecision, and enhancing the appeal of foreign insurance providers, which in turn can promote a more integrated European insurance market, increasing trust and stability. This is particularly relevant in light of the 2024 Eurobarometer survey results that reveals that a significant proportion of consumers in certain countries exhibit a lack of trust in insurance providers based in

other countries. Specifically, when asked if they had purchased insurance from a foreign provider operating in their country of residence over the past two years, a notable number of respondents from the countries featured in the case studies[40] (as outlined in the additional information) replied "No, because I do not trust providers in other countries" at a rate exceeding the EU average of 18%. Indeed, the analysis shows that consumers in seven[41] out of the ten countries under consideration reported a higher or same level of distrust in foreign insurance providers.

ADVANTAGES AND DISADVANTAGES OF DIFFERENT LEVELS AND APPROACHES TO IGS COVERAGE

ANALYSIS

2.86 Building on the identification of the policies that should be covered by an IGS, and the analysis of the benefits of minimum harmonisation in reducing fragmentation and enhancing protection for policyholders, this section aims to provide a comprehensive overview of the current typology of IGSs in place within the European Union and how this heterogeneous landscape has resulted in different treatment of policyholders in recent insurers' failures through some case studies. Schemes set up in accordance with the Motor Insurance Directive (2009/103/EC) are not covered in this Advice and Technical Annex. The analysis will delve into the advantages and disadvantages of different IGS models. This analysis utilizes the current fragmented landscape as its baseline, and analyse the relative advantages and disadvantages of four different set-up: a) a scheme covering all life polices; b) a scheme covering all non-life policies; c) a scheme covering all policies; and d) a scheme covering specific life and non-life policies.

2.87 Notwithstanding the widespread implementation of IGSs across most Member States (17 EEA countries have at least one IGS or similar scheme[42] in place in their jurisdiction), a notable degree of variation exists in terms of their design and scope. The table below illustrates the diversity of approaches adopted by the EEA countries, whereby some have established a comprehensive IGS that encompasses all types of insurance policies (i.e. Romania and Spain), whereas others have implemented more targeted IGSs that focus on specific categories of policies, such as all life policies, all non-life policies, or a selection of a range of life and/or non-life policies. The table lists individual IGSs rather than countries (i.e. countries with multiple IGSs appear once for each scheme).

Type of IGS in place (or in formation)	
General schemes covering both all life and non-life insurance	ES, RO
General schemes covering all life insurance	AT, FR***, PL
General schemes covering all non-life insurance	DK*,NO**
Schemes covering specific life policies	BE, CY, DE, EL, IT, NO
Schemes covering specific non- life policies	BE, FI, FR, IE, IT, PL, PT

[40] For the purposes of this analysis, cases considered are FWU and Gefion. As the Eurobarometer question is regarding cross-border Astra and Conservatrix were not considered.

[41] BE, DK, DE, FR, LU, AT, PL

[42] Scheme that is similar to and/or fulfil the tasks of an IGS, but is not an IGS as defined in Article 2, point (62), IRRD

Schemes covering both specific life and non-life policies	FR, LV, MT
No IGS	BU, CZ, EE, HU, HR, IS, LI, LT, LU, NL, SE, SI, SK

* no credit&suretyship

** no credit&suretyship and no MAT
*** the whole market is not covered but for the part of the market covered, all life products are covered.

2.88 Notwithstanding the establishment of harmonized regulations at the EU level pertaining to solvency requirements, recovery and resolution, and insurance distribution, a notable disparity persists in the treatment of policyholders in the event of insurer insolvency, which can lead to disparate outcomes for EU consumers particularly in cases of cross-border business. The significance of this issue is underscored by the substantial volume of cross-border premiums, which total approximately €127 billion for direct business and are likely to increase with the growing digitalisation of the insurance sector[43]. Recent instances of insurer insolvency have highlighted the disparate treatment, and, in some cases, limited protection afforded to policyholders across the European Union, as shown in the cases in the Annex.

Policy options

2.89 Overview of policy options per policy issue:

Policy issue	**Options**
ADVANTAGES AND DISADVANTAGES OF THE DIFFERENT TYPES OF IGS	A) All life encompassing IGS B) All non- life encompassing IGS C) All life and non-life encompassing IGS D) IGS covering specific policies

2.90 It is worth noting that the analysis of the pros and cons of different types of IGSs presented in this Annex is undertaken from a general perspective as costs vary depending on the type of IGS implementation. The specific role of the IGS, whether it involves the continuation of policies or compensation of policies, can significantly impact the associated costs and benefits. Given the minimum harmonization approach and the numerous potential combinations of these factors, a comprehensive analysis of all possible scenarios would compromise the analytical depth and clarity of this section. However, it is essential to recognise that these distinctions are crucial and will be explored in more detail in section 2 of the report, where the specific role of the IGS is examined in greater depth.

2.91 In addition, the operation of an IGS raises important considerations. For instance, insurers will likely fund the IGS through contributions[44], prompting questions about their ability to pass on costs to policyholders and their willingness to do so. The analysis of policy options assumes that insurers will, at least partially, pass on these costs, which may occur through premium increases or more subtle adjustments to policy terms and conditions, ultimately affecting policyholders.

[43] In 2025, the share of EU consumers purchasing insurance exclusively online reached 24% (with an additional 15% using a mix of online and offline channels), while as of 2023, only 4% utilized digital platforms other than provider or comparison websites.
[44] The funding aspects will be treated with more detail in section 3.

2.92 Notably, a country could decide to cover the eligible life and non-life policies through just one single IGS or multiple IGSs. The following options are analysed taking into consideration a single IGS. An analysis of the advantages and disadvantages of single and multiple IGSs, including reference to cross-subsidiation, is included at the end of the section. Section 3 covers in more detail the funding aspect of an IGS.

2.93 The analysis is grounded in EIOPA's 2020 Opinion, specifically the 'home country approach' identified therein as the preferred regulatory framework.

Impact of each policy option on relevant stakeholders

Option A: All life encompassing IGS		
Costs	Policyholders	Higher premiums and reduced affordability is a risk. In addition, an IGS for all life insurance policies may not be proportionate, as it would provide coverage to all products, regardless of their specific characteristics and risks, even if the need for IGS protection may be less critical for those products.
	Insurance and reinsurance undertakings	Covering all life products could lead to increased costs for insurers.
	Supervisory/ Resolution authorities	The more policies are covered by the IGS, the more closely the involvement of the IGS is expected to be, which leads to a stronger need for cooperation and coordination. Operational challenges could emerge in the set up. Issues could also emerge in the resolution if it concerns an insurer with both life and non-life portfolios, where the discrepancy in IGS-coverage needs consideration in the strategy of the resolution authority with regard to the treatment of different groups of policyholders.
	Other/IGS	An all-encompassing life IGS would cover policies which are different in nature (some only pure risk and others having a savings component) thus increasing the complexity.
Benefits	Policyholders	A comprehensive IGS that covers all life polices can facilitate consumers' understanding and trust as they would not need to verify if the specific policy is covered or not.
	Insurance and reinsurance undertakings	To the extent that IGS protection influences consumer behaviour as evidenced by EIOAP's study, an all-encompassing framework may facilitate increased market penetration (i.e. increased sales). In a Single Market context, it may facilitate cross-border business.
	Supervisory/ Resolution authorities	IGSs funding could be used in resolution and the involvement of the IGS could be complementary to the application of a resolution strategy, but only where the resolution concerns an insurer focused on life insurance. Broader coverage of IGS better enables resolution authorities to reach the resolution objective of policyholder protection.

	Other/IGS	A comprehensive IGS — encompassing all savings and insurance based investment products — would contribute to the goals of the SIU. Thus, an all-encompassing life insurance IGS would provide additional safety thus incentivizing consumers towards using more investment-based products.

Option B: All non- life encompassing IGS		
Costs	Policyholders	It may lack proportionality, as it extends coverage to all products regardless of the specific risk profiles or societal benefit they offer. This approach could lead to the inclusion of product categories (and its associated costs) where the necessity for a collective safety net appears less critical.
	Insurance and reinsurance undertakings	Covering all non-life products could lead to increased costs for insurers.
	Supervisory/ Resolution authorities	The more policies are covered by the IGS, the more closely the involvement of the IGS is expected to be, which leads to a stronger need for cooperation and coordination. Operational challenges could emerge in the set up. Issues could also emerge in the resolution if it concerns an insurer with both life and non-life portfolios, where the discrepancy in IGS-coverage needs consideration in the strategy of the resolution authority with regard to the treatment of different groups of policyholders.
	Other/IGS	Comprehensive non-life IGS coverage could lead to market inefficiencies by diverting resources to protect low-risk, short-term policies that are easily replaceable and that may not have any critical societal benefit. In addition, this approach increases operational complexity due to the diverse nature of products. Establishing a comprehensive non-life IGS would have also operational implications. Specifically, the interplay with existing schemes under the Motor Insurance Directive (2009/103/EC) that would require further analysis.
Benefits	Policyholders	It would provide simplicity and clarity, reducing complexity and potential confusion for policyholders. Additionally, an IGS covering all non-life policies provides comprehensive protection for policyholders, ensuring that they are covered in the event of an insurer's insolvency. This benefit is less relevant in those Member States where IGS coverage is applied to all policies of a given undertaking falling in the remit of an IGS.
	Insurance and reinsurance undertakings	By covering all non-life policies, an IGS could build more trust to encourage uninsured individuals to purchase coverage, effectively reducing existing protection gaps and increasing sales.
	Supervisory/ Resolution authorities	IGSs funding could be used in resolution and the involvement of the IGS could be complementary to the application of a resolution strategy, but only where the resolution concerns an insurer focused on non-life insurance. With broader and clear IGS-coverage it becomes more straightforward to coordinate and cooperate with the IGS, in terms of identifying eligible policyholders and the required funding needs. Broader coverage of IGS better enables resolution authorities to reach the resolution objective of policyholder protection.
	Other/IGS	N/A

Option C: All life and non-life encompassing IGS		
Costs	Policyholders	Such an option may raise proportionality concerns by extending coverage regardless of specific risk profiles or societal benefit they offer. While the existence of an IGS entails costs that could be ultimately borne by all policyholders, in particular for lower-income households, the benefits of coverage are not evenly distributed across products.
	Insurance and reinsurance undertakings	Extending IGS coverage to all life and non-life products would impose higher financial burden and it may also impose it unevenly, given their business models and risk profiles may be inherently different due the substantial differences between life and non-life insurance policies.
	Supervisory/ Resolution authorities	The more policies are covered by the IGS, the more closely the involvement of the IGS is expected to be, which leads to a stronger need for cooperation and coordination, which dependent on the institutional set-up and context could pose operational challenges.
	Other/IGS	Designing a single, universal IGS is inherently complex because it must reconcile the fundamentally different nature of long-term with a savings component and biometric protection life products with short-term pure-risk non-life policies. An expansive safety net is sometimes also associated with increased moral hazard. Establishing a comprehensive non-life IGS would have also operational implications. Specifically, the interplay with existing schemes under the Motor Insurance Directive (2009/103/EC) that would require further analysis.
Benefits	Policyholders	A comprehensive IGS covering both life and non-life insurance offers the most inclusive safety net. Such a scheme ensures equitable treatment for all policyholders, regardless of their insurance type. This unified approach eliminates the gaps inherent in sector-specific schemes, fostering broader market confidence and as all consumers in the process of purchasing insurance may be confident their policy is covered regardless of whether they hold long-term investments or short-term risk coverage.
	Insurance and reinsurance undertakings	To the extent that IGS protection influences consumer behaviour as evidenced by EIOPA study, an all-encompassing framework may facilitate increased market penetration (i.e. increased sales) for product categories that may otherwise remain excluded.
	Supervisory/ Resolution authorities	IGSs funding could be used in resolution and the involvement of the IGS could be complementary to the application of a resolution strategy. Broader IGS-coverage leads to a more straightforward coordination and cooperation with the IGS, in terms of identifying eligible policyholders and the required funding needs. This option best enables resolution authorities to reach the resolution objective of policyholder protection.
	Other/IGS	Risk diversification could offer a strategic advantage, particularly in smaller markets. By pooling contributions from both life and non-life insurers, a scheme could achieve greater funding stability or establish liquidity lending mechanisms, while a simplified governance structure may also facilitate more effective crisis management. In addition, a comprehensive IGS — encompassing all savings-oriented products like unit-linked and with-profit policies — would contribute to the goals of the EU's SIU.

Option D: IGS covering specific policies		
Costs	Policyholders	A targeted IGS would lead to uneven consumer protection and possible trust erosion among those left exposed. Consumers may find the system confusing, requiring clear understanding of which policies are covered, which could complicate purchasing decisions and reduce the perceived reliability of insurance overall. Similarly, while costs may be reduced in general, given the narrower scope of the IGS, policyholders needing policies falling under IGS coverage may face significantly higher costs as a more restrictive IGS scope prevents the broad pooling of risks and costs.
	Industry	Fragmentation across covered and uncovered lines might create administrative challenges for insurers.
	Supervisory/ Resolution authorities	Fragmentation across covered and uncovered lines might create administrative challenges for supervisors and resolution authorities and may depart from the objectives of an internal market. The discrepancies in IGS-coverage needs consideration in the strategy of the resolution authority with regard to the treatment of different groups of policyholders. The objective of protecting the collective interest of policyholders is more challenging to reach.
	Other/IGS	Defining and justifying eligibility criteria introduces complexity, risking disputes over inclusions and exclusions that could undermine the scheme's legitimacy. Further, it may increase the complexity of normal insolvency proceedings of an insurer if some claims are covered by an IGS while others are not.
Benefits	Policyholders	This model offers a cost-reduction by narrowing the scope of protection. By narrowing the scope of an IGS to only specific policies, the total funding requirement—and the resulting potential cost passed to policyholders—is significantly reduced compared to a broad-scope scheme that must maintain higher capital reserves to cover all insurance policies.
	Industry	By narrowing the scope of an IGS to only specific policies, the total funding requirement—and therefore the contributions from insurers—is significantly reduced compared to a broad-scope scheme that must maintain higher capital reserves to cover all insurance policies.
	Supervisory/ Resolution authorities	IGSs funding could be used in resolution and the involvement of the IGS could be complementary to the application of a resolution strategy, but ony to a limited extent compared to the other policy options. .
	Other/IGS	A targeted IGS enhances efficiency by focusing resources on high-priority, essential policies—such as liability insurance—rather than providing blanket coverage (e.g. or more sophisticated products where policyholders may have greater ability to assess risks). A selective IGS can be simpler to design as the scheme achieves a more precise calibration of protection limits and funding becomes more manageable and proportionate. The potential risk of moral hazard is also mitigated, as insurers in excluded lines retain stronger incentives for prudent management without a safety net.

2.94 The rationale for establishing IGSs varies significantly across Member States, reflecting diverse regulatory philosophies, historical market developments, and specific socio-economic priorities. In jurisdictions that have opted for a general scheme covering both life and non-life insurance, the primary objective is to ensure holistic and equitable consumer protection. These frameworks are

designed to protect policyholders against insurer insolvency regardless of the risk class, thereby maintaining public confidence in the entire insurance market and ensuring that all clients of failed insurers receive a fair level of protection.

2.95 In contrast, Member States that maintain schemes specifically for life insurance often do so by viewing these products through the lens of long-term financial security and systemic stability. For instance, the Belgian legislator aligned the protection of specific life insurance classes with deposit guarantee schemes, treating them as comparable to savings accounts. In Germany, the emphasis is placed on contract continuity for life insurance, as replacing life insurance can become prohibitively expensive for older or less healthy policyholders. The emphasis on non-life coverage, for example in Ireland and Norway stems, in part, from historical insurer failures that necessitated targeted regulatory intervention in those specific sectors.

2.96 Finally, targeted IGSs have been in some Member States designed to safeguard mandatory insurance lines, such as health or compulsory coverage, which often serve as an extension of a nation's social security framework, providing a safety net that shields both individuals and employers from significant financial risk. Furthermore, by securing these essential protections within a dedicated framework, these schemes effectively reduce the potential burden on public welfare budgets and ensure that critical social protections remain resilient.

Comparison of the policy options

2.97 The following table presents a comparison of the policy options, evaluated against the four key objectives. The scoring utilizes a 'no-IGS' baseline to account for the lack of harmonization across Member States. Consequently, for jurisdictions that already maintain comprehensive life and non-life frameworks, the practical impact of certain requirements may be negligible. This methodology is designed to facilitate a relative comparison between policy options rather than to serve as a granular assessment of existing national landscapes.

	Effective and efficient policyholder protection	***Ensuring a level playing field***	***Improving transparency and better comparability***	***Simplification and burden reduction***
All-encompassing Life	++	++	+	-
All-encompassing non-life	+	++	+	-
All-encompassing Life and Non-life	+	++	++	- -
Specific insurance policies	++	+	0	0

2.98 Regarding the objective of “effective and efficient policyholder protection” the highest scoring is attributed to all-encompassing Life schemes; consistent with EIOPA’s 2020 Opinion where most of the life policies were considered eligible for IGS coverage, as the long-term nature and social significance of life products necessitate broad coverage to ensure financial stability for policyholders. A comparable high score is assigned to Specific Insurance Policies, as this targeted approach optimizes the efficiency of the safety net by aligning protection with 'critical' policies. By focusing resources exclusively on essential policies, this model avoids the diminishing marginal returns associated with universal coverage. In contrast, All-encompassing Non-life and All-encompassing Life and Non-life schemes receive a more moderate score. As highlighted in the

2020 Opinion, the inclusion of non-essential policies may disproportionately increase the financial burden on insurers and policyholders without delivering a commensurate increase in public benefit or systemic stability.

2.99 Regarding the objective of a level playing field all encompassing IGSs achieve the highest score. By ensuring consistent protection for all products across Member States, this IGS fosters consumers' confidence and facilitates the seamless movement of capital and uptake of insurance. Moreover, by mitigating potential cross-border differences, such an approach can also contribute to a more integrated and harmonised European internal market for insurance, ultimately leading to a better playing field for a wider range of LoB, beyond just those with existing substantial cross-border business. Following a similar rationale all encompassing life and non-life schemes have equal benefits. IGS covering specific policies, while less than all encompassing schemes, would still allow for some positive benefits in terms of level playing field as they would harmonize coverage across selected policies.

2.100 Under the objective of transparency and comparability, all-encompassing (Life and Non-life) schemes achieve the highest score by providing an unambiguous and universal protection. Conversely, targeted IGSs present a more complex landscape for the consumer, which should proactively investigate the eligibility of their specific contracts.

2.101 Regarding the objective of mitigating financial and administrative burdens, targeted IGSs represent the most cost-efficient framework. By narrowing the scope of protected liabilities to essential lines, the corresponding funding requirements and capital levies on insurance undertakings are reduced. Conversely, schemes offering broader protection represent higher costs for the insurers and policyholders[45].

2.102 In alignment with the EIOPA 2020 Opinion, the analysis identifies a targeted IGS—covering specific life and non-life policies—as the optimal policy option for achieving the stated objectives. By calibrating the scope to focus on products requiring enhanced safeguards, such as life insurance or general liability, IGS-related costs are optimized for both the industry and policyholders. This precision-based approach mitigates the risk of over-insurance and prevents the undue protection of products that pose minimal financial hardship. While a targeted framework may offer slightly less breadth than a comprehensive IGS, prioritizing areas of systemic or individual importance ultimately serves to bolster consumer confidence and ensure market stability.

2.103 While there is an inherent logic in establishing an all-encompassing IGS for life insurance—given that the vast majority of life products are already eligible for such schemes—a similar blanket approach for non-life insurance is less practical, as only a specific portion of those products currently qualifies for protection. Consequently, an IGS covering all life policies and specific non-life policies also merits careful consideration. This configuration would maintain a limited marginal cost impact, as most life products are already inherently eligible for such schemes, while closely aligning with objectives to enhance transparency and protection. Specifically, it could operate as two separate technical schemes behind the scenes while presenting a single 'one-stop shop' interface to the public. In addition, having one single entity could prove particularly useful in Member States where a life insurer is allowed to also offer non-life products. By ensuring the consumer-facing element remains unified and simple, this approach provides robust protection

[45] However, it should be also considered that while a broader scope inherently increases the administrative complexity of monitoring and managing a wider range of policy types, these costs may be partially offset by economies of scale.

with a limited marginal cost impact, as most life products are already inherently aligned with these eligibility requirements.

Single IGS versus multiple IGSs:

2.104 A further dimension of diversity in the current implementation of IGSs is discernible in the varying number of IGSs established by different countries, as depicted in the table below. This aspect is inextricably linked to the extent of coverage analyzed previously, yet it also introduces an additional layer of complexity.

Number of IGSs in place (or in formation)	
Single IGS	AT, CY, DK, EL, ES, IE, LV, MT,NO, PL, PT, RO
Multiple IGSs	BE, DE, FI, FR, IT
No IGS	BG, EE, CZ, HU, HR, IS, LI, LU, LT, NL, SE, SI, SK

2.105 Notably, a country could decide to cover the eligible life and non-life policies through just one single IGS or multiple IGSs. A single IGS per country, providing unified protection across life and non-life insurance lines, offers several important advantages. It promotes administrative and cost efficiency by consolidating governance, operations and funding into one entity. This consolidation creates economies of scale that reduce overall setup, maintenance and oversight costs. In addition, it increases stability against failures in specific insurance lines. For policyholders and regulators, the model is simpler and easier for consumers to understand. In smaller economies, pooling resources across life and non-life sectors could also create a more resilient safety net with enhanced liquidity.

2.106 However, a single IGS also presents notable drawbacks. Life and non-life insurance have fundamentally different risk profiles, time horizons, liability structure, failure patterns and intervention requirements. While for life insurance continuity of the policies is the preferred option, in non-life the preferred option would be the quick compensation. A one-size-fits-all model can therefore lead to suboptimal outcomes or delays in intervention while separated IGSs would facilitate targeted funding arrangements tailored to each type of sector. Further, the one-size-fits all model will have to include exemptions and special rules reflecting the particularities of the different lines of business. This will increase complexity of processes and governance in comparison to multiple IGSs. Creating distinct compartments could prevent these spillovers. In addition, where one or more IGSs exist and have already collected ex ante funds a merger of those IGSs (and their funds) will hardly be possible for legal reasons.

2.107 Alternatively, a country may opt to cover the different policies through the implementation of multiple, distinct IGSs. This approach would allow protection mechanisms to be precisely tailored to the specific risk structures of different insurance lines. By ensuring that policyholders primarily bear the risks of their own line of business, this model largely avoids cross-subsidization between sectors and/or insurance lines. From a regulatory standpoint, multiple IGSs would allow measures to be more closely aligned with specific insurance lines, enabling authorities to address sector-specific challenges without affecting other lines or creating spillover effects, strengthening transparency and credibility. Nevertheless, a system comprised of multiple IGSs involves a higher degree of complexity, as separate funding mechanisms and requirements must be organized and overseen in parallel. This can lead to a higher demand for supervisory resources and added operational complexity for multi-line insurers, who may face higher cumulative contributions and limited risk-pooling across sectors. Furthermore, a decentralized system may lead to variations in

protection levels, as diversification effects are limited when stronger insurance lines cannot directly offset the deficits of weaker ones.

2.108 Cross-subsidization within IGS—whether between life and non-life sectors or across product lines—could imply the creation of a more resilient safety net that pools resources and enhances liquidity, which could be beneficial in small economies. However, this model risks market distortion; broad subsidies could be considered to unfairly force policyholders holding low-risk policies to fund the potential failures of high-risk policies or long-term products.

2.109 In Poland, during the period 1991-1995, a dual IGS framework was in operation, comprising two separate entities, namely FOU and UFG. However, following a review of the existing arrangements, it was determined that a single, unified IGS would be more effective, and accordingly, in 1995, UFG assumed the rights and obligations of FOU, resulting in the consolidation of the IGS framework.

2.110 In certain instances, the separation of IGSs is not solely based on the distinction between life and non-life sectors. Rather, some countries have established multiple IGSs, catering to specific market segments or product lines. For example, Belgium has implemented a framework comprising three distinct IGSs, demonstrating a more nuanced approach to guarantee scheme organisation.

Potential areas of additional work not directly related to this Call for Advice:

- MID Implementation: Evaluate lessons learned from the structural design and practical implementation of guarantee schemes under the Motor Insurance Directive (MID).

- Unit-Linked & Investor Protection: Analyze in detail the diverse organizational frameworks for unit-linked products and explore potential coordination with Investor Protection Schemes (IPS).

- Profit Participation: Analyze in detail the diverse organizational frameworks for products with profit participation, develop robust methodologies for incorporating and calculating profit participation mechanisms within the minimum harmonized IGSs framework.

Stakeholders' view:

On the question of scope of the IGS coverage, stakeholders tend to reject "all-encompassing" schemes that would cover all insurance lines and rather prefer a targeted approach that focuses exclusively on socially significant or mandatory products, providing individual Member States with flexibility to tailor protections to their unique legal frameworks, welfare systems, and specific risk profiles.

When considering the structure of these schemes, most respondents advocate for maintaining two separate entities for life and non-life insurance. This preference is driven by the fundamentally different risk profiles, liability structures, and operational goals of the two sectors, as life insurance typically focuses on long-term contract continuity while non-life focuses on claim

compensation. Many fear that a combined scheme would lead to unfair cross-subsidization, potentially destabilizing non-life markets to cover life insurance risks.

Stakeholders are divided on whether IGS harmonization would drive market integration. Some argue that cross-border barriers are structural—rooted in tax, language, and legal differences—and warn that the added costs and complexity of a unified scheme would reduce product affordability, hindering market growth. Furthermore, they emphasize that any financial requirements must be well-calibrated to ensure the cost impact remains incremental and does not outweigh the systemic benefits of insolvency protection. Conversely, others view a harmonized framework as a critical safety net that eliminates regional "protection gaps," providing the consumer reassurance necessary to engage with foreign insurers and fostering a more equitable, competitive Internal Market. These stakeholders argue that a common standard would establish a level playing field by mitigating regulatory arbitrage and free-riding. They often point to the banking and investment sectors as evidence that mature guarantee schemes can coexist with high competitiveness. Ultimately, while structural hurdles exist, a harmonized safety net is seen as central to building the consumer confidence required for a truly resilient financial landscape.

SECTION 2: OPERATIONAL FUNCTIONING OF IGS

EXTRACT FROM THE CALL FOR ADVICE

3.1 EIOPA is requested to provide advice on the appropriateness of minimum common standards for IGS regarding their operational functioning. In particular, EIOPA is requested to assess the appropriateness of minimum common standards with regard to the trigger moment(s) for IGS activation, the time for the submission of claims and the deadline for payouts to policyholders in compensation cases, the conditions and timing for a continuation of policies by IGS, and the place of IGS in the insolvency ranking.

3.2 EIOPA is expected to draw lessons from the overview of existing IGS, and present the advice as a timeline with key moments.

RELEVANT IRRD PROVISIONS, PREVIOUS EIOPA ADVICE, AND REGULATORY BACKGROUND

Relevant legal provisions

3.3 There is currently no specific provision in Directive 2009/138 and in Directive 2025/1 that addresses trigger moment(s) for IGS activation, time for submission of claims, the deadline for payouts to policyholders in compensation cases and timing for a continuation of policies by IGS.

3.4 However, Article 277 of Solvency II is relevant for the place of IGS in insolvency ranking.

3.5 Through a questionnaire on IGS, EIOPA received information on relevant legal provisions from Members national legislation for each topic in this section.

Previous EIOPA advice

3.6 There is no previous EIOPA advice on these topics, except for the conditions of continuation of policies by IGS, which are discussed in EIOPA 2020 opinion.

Other regulatory background

3.7 In 2023 the IAIS published an Issues Paper on the roles and functioning of policyholder protection schemes (PPS[46]), specifically going into the several ways PPS can support the application of resolution tools and powers, with a focus on the continuation of policies. The IAIS Issues Paper outlines several core roles that Policyholder Protection Schemes (PPS) can play when an insurer fails, and also the phases at which PPS may be triggered (i.e. in recovery and in resolution).

3.8 A first key function is compensating policyholders for covered claims, either directly or through the liquidator, often more quickly and with fewer procedural hurdles than a court-administered process. Some schemes can make interim payments, refund unearned premiums, or even provide temporary loans, though this may trigger additional regulatory requirements depending on the jurisdiction.

[46] PPS is another terminology for IGS.

3.9 A second major function is taking over policyholder claims through subrogation. After paying out, the PPS acquires the policyholder's rights against the failed insurer's estate. Because insurance claims often rank ahead of other creditors, PPSs can recover a significant portion of what they paid, reducing the need for industry levies and supporting confidence in the scheme's financial capacity.

3.10 The paper also highlights the function of PPSs in maintaining continuity of coverage and in cash injection to support sale of business or restart. For the former, when no buyer is available, portfolios may be transferred to a bridge institution—sometimes operated by the PPS itself—or placed into run-off using the failing insurer's administrative systems. This ensures ongoing claims handling while a longer-term solution is identified. For the latter, in some cases, a sale of the failing insurer might be possible only with a cash injection.

TRIGGER MOMENTS FOR IGS ACTIVATION

Identification of the issue

3.11 For the purposes of this answer to the call for advice, "trigger moment" will refer to the legal event that causes an Insurance Guarantee Scheme to be activated. In other words, it is the moment the IGS is allowed or required to act, but not necessarily the moment at which it has to compensate or continue policies since that is different from the activation itself, and likely to materialize at a later stage or even to depend on the way the failure is handled. For instance, in some cases of solvent-run off or of sale-of-business, the undertaking or the purchaser will handle the claims.

3.12 Providing advice on the appropriateness of minimum common standards with regard to the trigger moment(s) for IGS activation requires an assessment on whether harmonisation is needed in the first place, and then, if so, at which concrete trigger point(s) such harmonisation could take place.

3.13 Harmonising those standards would bring predictability and simplicity of IGSs systems across the EU and, more importantly, it would avoid timing differences of treatment between policyholders of different Member States[47]. However, this would necessitate adjustments to national legal framework, especially in insolvency.

Analysis

3.14 In this section, EIOPA analyses whether there is an issue of harmonisation of triggers moments for IGS activation in the EU. Following this assessment, it studies the main option for trigger harmonisation.

[47] Or within a Member State as it would avoid differences of treatment based on the relevant IGS (*home country* principle).

3.15 Regarding the need for harmonisation of triggers itself, currently[48], practices vary but a majority of Member States that have an IGS[49] either have insolvency as a trigger or some administrative or judicial decision related to it (for instance a court decision, or a publication of a decision in the Official Journal). Other Member States have chosen options such as withdrawal of the licence of the undertaking, winding-up, the assessment that potential measures are deemed insufficient to protect policyholders etc.

3.16 The timespan between, for instance, a decision of mandatory transfer of policies by the supervisory authority or resolution authority to protect the interests of policyholders and a court ruling on the insolvency of the insurer is significant and may lead some policyholders to receive compensation or have their policies continued earlier than policyholders in a similar situation in other Member States. Therefore, within a *home principle* network of IGS, harmonising triggers would ensure a relative equality of treatment between policyholders across Europe.

3.17 Regarding the options for trigger harmonisation of IGS, one way of identifying a relevant one is to look at the point at which IGS will have to intervene or to be activated in a foreseeable future, either in resolution or in regular insolvency proceedings, whichever would be applicable in a given case. Concretely, this would mean when the two first conditions for resolution of Article 19(1) of IRRD are met[50]: the insurance or reinsurance undertaking has been determined as failing or likely to fail and there is no reasonable prospect that any alternative private sector measures of supervisory action, including preventive and corrective measures, would prevent the failure of the undertaking within a reasonable timeframe.

3.18 After analysis, no other potential relevant trigger was identified.

3.19 Finally, there seem to be strong incentives to align conditions for triggering IGS in insolvency and in resolution. For instance, if IGS activation's requirements in resolution are harder to meet than in insolvency, then authorities will be incentivized toward insolvency to allow for swift IGS funding, while potentially facing a situation where resolution tools or powers would best achieve the objectives of Article 18 of the IRRD)[51]. Worse, they may find themselves needing inaccessible IGS funding (lacking of such funding could for instance make a transfer commercially unattractive for potential acquirers and tends to lead to large write-downs for the policyholders).

Policy options

Policy option 1: Maintaining the status quo

3.20 This option leaves the determination of triggers moments for IGS activation up entirely to national discretion. The flexibility allows adaptation to local legal and institutional contexts but may result in continued divergence across the EU.

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[48] Please note that IRRD's implementation is still ongoing.

[49] Please note that some countries answered on the possibility of MTPL related IGS to come into effect.

[50] As for the third condition of the same Article, see below in *Option 2.*

[51] For clarification: these decisions shall comply with requirements sets out in European and national law, so authorities do not have a discretionary choice.

Policy option 2: Harmonisation of trigger(s) activation when insurance or reinsurance undertaking is in FOLTF situation and there is no reasonable prospect of this failure being prevented within a reasonable timeframe

3.21 One relevant trigger for harmonisation would be when the two first conditions of article 19(1) of IRRD are met:

- The insurance or reinsurance undertaking is failing or likely to fail, meaning that it is in any of the circumstances listed at Art. 19(4)(d) of IRRD,
- There is not reasonable prospect that an alternative private sector measures or a supervisory action, including preventive and corrective measures, would prevent the failure of the undertaking within a reasonable timeframe.

3.22 Concretely, meeting those two conditions characterize the stage at which the insurer already failed or will certainly fail. This particular "point of no return" is relevant for triggering IGS activation: an insurer has failed or will fail and there is no reasonable prospect that failure can be prevented within a reasonable timeframe: An IGS will almost certainly have to intervene.

3.23 Two options remain, basically: if the public interest condition as per Art. 19(1)(c) and 19(5) is met, then the resolution authority will take a resolution action; if it is not the case, then the authority is required pursuant to article 21 to proceed with its normal insolvency procedure or other proceedings ensuring an orderly exit from the market. At this point, there are still a few cases where no IGS would be required to act in the end, for instance if a Member State opted for IRRD's option to use financing arrangements to absorb losses of policyholders, beneficiaries and claimants, acting in effect as an IGS would have as well as in some scenarios of solvent-run off or of sale-of-business, when the undertaking or the purchaser will handle the claims.

3.24 As seen in analysis, harmonization of triggers for IGS activation would be even more beneficial if it applies uniformly in insolvency and resolution.

Option 1: Maintaining the status quo		
Costs	Policyholders	Policyholders in different Member States may see IGS protection triggered at very different stages (e.g., only at insolvency in some jurisdictions, earlier in others), or experience difference of treatment depending on whether their insurer is dealt with in resolution or in insolvency.
	Insurance and reinsurance undertakings	No impact
	Supervisory/ Resolution authorities	No impact.
	Other	Creditors, beneficiaries, and intermediaries face uncertainty due to inconsistent activation points.
Benefits	Policyholders	No impact.

	Insurance and reinsurance undertakings	No implementation or compliance costs.
	Supervisory/resolution authorities	No impact.
	Other	No need for legislative or procedural changes.
Option 2: Harmonisation of trigger(s) activation when insurance or reinsurance undertaking is in FOLTF situation and there is no reasonable prospect of this failure being prevented.		
Costs	Policyholders	No impact.
	Insurance and reinsurance undertakings	Implementation and compliance related costs.
	Supervisory/resolution authorities	No impact.
	Other	National legislation has to be adopted and operational procedures have to be aligned with the harmonised trigger. Legal and insolvency practitioners, intermediaries, and creditors may need to adjust to the new activation timing, creating short-term adaptation costs.
Benefits	Policyholders	Harmonises timing of policyholder coverage by IGSs. Ensures equal treatment across and within Member States. Provides predictability and clarity on when protection begins[52].
	Insurance and reinsurance undertakings	No impact.
	Supervisory/resolution authorities	Aligns IGS activation with IRRD's requirements of Art. 19(1), improving consistency between resolution and insolvency. Enhances predictability and reduces tensions between home and host authorities, thus enhancing financial stability.
	Other	Beneficiaries, intermediaries, and creditors benefit from a more transparent and predictable EU-wide framework.

[52] In particular, it ensures that a policyholder is, in this regard, in the same situation independently of the fact that he purchased a domestic policy or a "FoS/FoE" policy.

Comparison of policy options

Triggers for IGS activation				
	Effective and efficient policyholder protection	*Ensuring a level playing field*	*Improving transparency and better comparability*	*Simplification and burden reduction*
Option 1: Maintaining the status quo	0	0	0	0
Option 2: Harmonization of triggers for IGS activation	+	+	+	-

Preferred policy option

3.25 EIOPA is of the view that every Member State's IGS should be activated in cases where an insurance or reinsurance undertaking is in FOLTF situation and there is no reasonable prospect of this failure being prevented[53][54].

Stakeholders' view:

Regarding triggers for IGS activation, stakeholders provided a variety of views. Although a significant part advocated for the need to let Member States define triggers at national level, there were also calls for harmonisation, sometimes on insolvency.

Advantages of harmonisation mentioned were for instance the facilitation of cross-border application, increased transparency and consistency across the single market.

On the other hand, against harmonisation is evoked the need to maintain flexibility at national level to avoid unnecessary burden and an imperative to decide on a case by case basis.

The need for differentiated triggers depending on IGSs functions was underlined by some stakeholders (continuation of policies would require an earlier trigger than compensation after liquidation).

[53] Please note that if a Member State decides to use a financing arrangement instead of the IGS in resolution, IGS may not have to be activated.

[54] A formal proceeding to activate the IGS at Member State level when the conditions are met would have to be created and this proceeding would also have to define the function the IGS has to perform, if any, to ensure that no unnecessary IGS activation would occur.,

TIME FOR SUBMISSION OF CLAIMS IN COMPENSATION CASES

Identification of the issue

3.26 IGSs, depending on their functions, might inter alia offer compensation for claims or continuation of policies. The issue of "time for submission of claims" is only related to situations where part or all of the activities of a failing or failed insurance or a reinsurance undertaking would come to an end (i.e. that some or all policies would be discontinued), that compensation would need to be paid by an IGS[55] and where no verification of claims scheme allows the IGS for a direct access to eligible claims related information (which would negate the need for a policyholder submission of claim entirely, since the IGS would pay of its own initiative).

3.27 In such a case, to guarantee that policyholders have an effective right to compensation, they need a reasonable time to make their claims.

3.28 On the other hand, it may be required to settle the case quickly, for instance to wave out liquidity related fears, requiring a rather short delay for submission of claims.

3.29 As for harmonization issues, differences in the time allowed to policyholders to make their claims after an insurance failure might lead to unequal treatment between customers that are in similar situations.

Analysis

3.30 Time for submission of claims must be sufficiently long for policyholders to have an effective right to compensation.

3.31 Overall, looking at the "Overview of existing IGS in the EU Questionnaire" results, it appears that Member States have time for submission of claims ranging from 2 months to up to ten years, and sometimes no explicit legal deadline at all. Besides, those time-limits starts to run on different basis (e.g., time allowed is usually 2 to 6 months around the bankruptcy, but is counting in years when it starts at the date of occurrence of the insured event as per the policy, etc.). Indeed, those limits are closely embedded in national legal frameworks, reflecting a range of country-specific preferences and particularities.

3.32 The introduction of a time limit for policyholders to submit claims would contribute to a greater degree of consistency in the treatment of policyholders and thus foster consumer protection across the European Union. However, such harmonisation should also address existing challenges related to policyholders' understanding of the applicable insurance guarantee scheme (IGS) and the relevant legal framework, which may involve both the legislation of the Member State in which the product was sold and the legislation governing the home IGS.

[55] Where an IGS continues the policies (rather than compensating) claims can be submitted over the entire remaining duration of the policy.

Policy options

Policy Option 1: Maintaining the status quo

3.33 This option leaves the definition of the time for the submission of the claims up entirely to national discretion. The flexibility allows adaptation to local legal and institutional contexts but may result in continued divergence across the EU.

Policy Option 2: Harmonization on atime limit for the submission of claims

3.34 This option requires the introduction of atime limit for the submission of claims while leaving to Member States the possibility to define a longer one at their level.

3.35 It would ensure that policyholders benefit from a reasonable time to make their claims and would improve consistency in the treatment of those policyholders across the European Union.

3.36 The time limit for the submission of claims could start to run from the occurrence of the insured event as per the policy. This would help to make sure that policyholders can effectively exercise their right to submit a claim.

Impact of the policy options

Option 1: Maintaining the status quo		
Costs	Policyholders	Unequal treatment between policyholders and their beneficiaries that are in similar situations. Current national deadlines vary significantly — sometimes by years — meaning some policyholders must act very quickly while others have much longer to submit claims.
	Insurance and reinsurance undertakings	No impact.
	Supervisory/ Resolution authorities	No impact.
	Other	No impact.
Benefits	Policyholders	No change to existing national frameworks; policyholders retain the protections and deadlines already familiar in their Member State, if any.
	Insurance and reinsurance undertakings	No impact.

	Supervisory/ Resolution authorities	No need for legislative or operational adjustments.
	Other	No impact.
Option 2: Harmonization of time for submission of claims		
Costs	Policyholders	No impact.
	Insurance and reinsurance undertakings	No impact.
	Supervisory/ Resolution authorities	No impact.
	Other	In Member States where the current time of submission of claims is in shorter than the new minimum, a legislation that is part of a system of national preferences and specificities will have to be modified.
Benefits	Policyholders	Ensures relative similar treatment across the EU regarding how quickly policyholders can exert their rights to compensation.
	Insurance and reinsurance undertakings	No impact.
	Supervisory/ Resolution authorities	No impact.
	Other	No impact.

Comparison of policy options

Time for submission of claims				
	Effective and efficient policyholder protection	***Ensuring a level playing field***	***Improving transparency and better comparability***	***Simplification and burden reduction***

Option 1: Maintaining the status quo	0	0	0	+
Option 2: Harmonization on a minimal the time for the submission of claims	+	+	+	0

Preferred policy option

3.37 EIOPA is of the view that the definition of the time allowed for policyholders to make their claims should be harmonized in every Member State. Ideally, this time would start to run after the insured event (as per the policy) has occurred.

Stakeholders' view:

Regarding time for submission of claims, its link with national legislations that differs substantially between countries (in particular civil law and court procedures) was underlined by stakeholders, as well as the practical difficulties of implementing such an harmonisation into national laws that goes way beyond insurance regulation. Besides, some stakeholders noted that setting a maximum amount of time to submit claims would limit the level of consumer protection provided. Therefore, national level discretion was advised.

In favour of a certain degree of harmonisation, the fact that it would be preferable not to have significantly diverging national regulations on this topic was mentioned.

DEADLINE FOR PAYOUTS TO POLICYHOLDERS IN COMPENSATION CASES

Identification of the issue

3.38 One of the IGSs main merits for policyholders is to eliminate or to at least reduce significantly both procedural complexities and payment delays compared to normal insolvency procedures.

3.39 Policyholders have an interest to be compensated as fast as possible, especially in cases were the IGS would happen to compensate loss of income (i.e. it may depend on the policy type). However, having a tight deadline to pay claims might put considerable pressure onto the IGS, leading to mismanagement of the claims and other issues.

3.40 The question of harmonisation of the time for submission of claims is only related to situations where some or all policies of a failing or failed undertaking would be discontinued and that

compensation would need to be paid by an IGS. Where an IGS continues the policies (rather than compensating) claims will be satisfied in the ordinary course of business, i.e. under the contractual agreed terms.

Analysis

3.41 Overall, looking at the "Overview of existing IGS in the EU Questionnaire" results, it appears that less than half of the Member States (6/16 answers) do not currently have a time limit set for the IGS to pay the claims of policyholders. For those who do, time limit vary from a few weeks to three years following the determination of the compensation amount (or any other initiative set out in the national framework to initiate the process) and almost all Member States reported that the IGS is required to pay in 3 months or less[56] (with potential requests for extension is some cases).

3.42 Those differences in the time allowed for IGSs to compensate policyholders after an insurance failure might lead to unequal treatment between customers that are in similar situations. Besides, all else equal, significant differences may marginally incentivize customers to opt for the most protective and accessible IGS-system, leading to a level playing field issue.

3.43 Finally, there are a few factors that may help for a swift and efficient handling of claims overall, -independently from the deadline itself- such as preparation at insurer level of procedures to transfer claims when the IGS takes over.

Policy options

Policy Option 1: Maintaining the status quo

3.44 This option leaves the definition of the deadline for payouts to policyholders by IGS up entirely to national discretion. The flexibility allows adaptation to local legal and institutional contexts but may result in continued divergence across the EU, as well as to level playing field issues.

Policy Option 2: Harmonization of the deadline for payouts to policyholders in compensation cases

3.45 This option requires the introduction of a maximum time limit for payouts to policyholders in compensation cases, while leaving to Member States the possibility to define a longer faster one at their level.

3.46 It would ensure that policyholders are compensated in a reasonable time and would improve consistency in the treatment of those policyholders across the European Union.

Impact of the policy options

[56] Please note that some Members answered based on their MTPL IGS.

Option 1: Maintaining the status quo		
Costs	Policyholders	Unequal treatment between policyholders and their beneficiaries that are in similar situations
	Insurance and reinsurance undertakings	Uneven payout deadlines across Member States may influence customer preferences, marginally incentivizing policyholders to choose insurers operating in jurisdictions with faster IGS compensation.
	Supervisory/ Resolution authorities	No impact.
	Other	No impact.
Benefits	Policyholders	No impact.
	Insurance and reinsurance undertakings	No impact.
	Supervisory/ Resolution authorities	No need for legislative changes or operational adjustments.
	Other	Flexibility at national level to adjust delays to IGSs capabilities
Option 2: Harmonization of the deadline for payouts to policyholders in compensation cases		
Costs	Policyholders	IGSs will have to comply with deadline, which may increase their need for staff and then costs for (re)insurers or policyholders, depending on the way IGSs are funded.
	Insurance and reinsurance undertakings	IGSs will have to comply with deadline, which may increase their need for staff and then costs for (re)insurers or policyholders, depending on the way IGSs are funded
	Supervisory/ Resolution authorities	No impact.
	Other	Need to modify national legislation to accommodate for the new deadline.
Benefits	Policyholders	Ensure relatively swift compensation payment to policyholders

	Insurance and reinsurance undertakings	Fast payouts may improve the reputation of the industry as a whole.
	Supervisory/ Resolution authorities	Faster and harmonised payouts strengthen confidence in crisis-management frameworks and improve cross-border coordination.
	Other	No impact.

Comparison of policy options

Deadline for payouts to policyholders				
	Effective and efficient policyholder protection	***Ensuring a level playing field***	***Improving transparency and better comparability***	***Simplification and burden reduction***
Option 1: Maintaining the status quo	0	0	0	+
Option 2: Harmonization of the deadline for payouts to policyholders	+	+	+	0

Preferred policy option

3.47 EIOPA is of the view that setting up a maximum time for payouts to policyholders by IGS in compensation case, while leaving to Member States the possibility to define a faster one would be beneficial for policyholders[57] This maximum time would have to allow for flexibility if claims are challenged in court[58] and in exceptional cases, for instance if the IGS is overwhelmed by claims[59].

3.48 For illustrative purposes, one example of how it could work in practice may be found in the Motor Insurance Directive, where Articles 10a and 25a details that, within three months from the date when the injured party presented his or her claim for compensation, a reasoned offer of compensation has to be made or a reasoned reply to the points made in the claims provided[60].

[57] It must also be borne in mind that claims need to be reviewed and may be disputed; accordingly, the payout time cannot be based solely on the notification of a claim.

[58] In which case the maximum time would start with the acceptance of claims by the competent court.

[59] Other exceptions may be needed, inter alia to take into account national specificities.

[60] Depending on whether the claim is contested or not, and whether the damage has been partially or fully quantified or not, but also on whether it has been established that the “Body” is liable to provide compensation.

Stakeholders' view:

Regarding the deadline for pay-out to policyholders, similarly to time for submission of claims, the need to accommodate for national level legislations with flexibility was mentioned. Besides, the fact that claims which are health or income-related may require quicker payouts than other claims also favour flexibility.

Finally, constraints at IGS level (availability of funds, operational resources) need to be taken into account.

CONDITIONS AND TIMING FOR CONTINUATION OF POLICIES BY IGS

Identification of the issue

3.49 In its 2020 opinion on Solvency II review, EIOPA stated that the continuation of insurance cover might be more beneficial for policyholders than the pure compensation of their losses, particularly for life or long-term non-life insurance policies where it might be more difficult to find equivalent cover (on similar terms) with an alternative insurer. and that the function of national IGSs should therefore not be limited to one rule (i.e. that IGSs have to be able to also assume continuation with respect to certain policies) as the optimal IGS intervention depends on the circumstances at hand.

3.50 Besides, one may distinguish between continuation of policies "in the long run" (especially for products where some policyholders may have difficulty finding comparable coverage with another insurer) and the continuation of the policy during resolution or insolvency. Regarding the latter, it can serve several purposes :

- For policies with periodic payouts, it is important to prevent the temporary loss of income for policyholder, meaning that time may be of the essence and that continuation of policies, if any, should happen without delay;
- For other (mainly non-life) policies, on the other hand, it can be important to ensure that policyholders have sufficient time to obtain a new policy elsewhere.

3.51 In both cases, however, those policies differs significantly from country to country.

3.52 The IRRD now requires Member States to have the power to apply resolution tools that allow for continuation of policies in resolution, such as the asset and liability separation tool, the sale-of-business tool, the bridge undertaking, the solvent run-off tool and transfer to insurance guarantee schemes. Besides, resolution is designed partly to ensure the continuity of critical functions. In some of those cases, depending on the choice that Member States, IGSs may play a role for instance by providing financial support for a transfer of portfolio or by continuing the policies itself.

3.53 IRRD also provide that, when applying those tools, resolution authorities should balance resolution objectives such as the protection of the collective interest of policyholders, beneficiaries and claimants taking into account as appropriate the nature and circumstances of each case. Therefore, it appears that conditions for continuation of policies by IGS in resolution are already harmonised in a "principle based" way, i.e. the balance of the various resolution objectives of Article 18 of the IRRD.

3.54 In insolvency or at an even earlier stage, on the other hand, there is no harmonisation which may lead to differences of treatment between policyholders that are placed in similar situations.

Analysis

3.55 Continuation of policies may be defined as the way that would ensure that insurance contracts remain valid and enforceable even if the insurer is unable to fulfil its contractual obligations. This can be achieved in different ways, as detailed in "identification of the issue" above.

3.56 There are insurance contracts on life, long-term care and disability that are long-term or even lifetime oriented. What typically happens is that policyholders are paying substantial premiums when losses are still unlikely, i.e. during the first parts of the contracts, to ensure they have a right to policy continuation at a reasonable price when the probability of losses is higher.

3.57 In such a case, if the accumulated premium reserve by the policyholder is not sufficient and not transferable to a new insurer, the continuation of the policies may be the best outcome for the policyholders (in insolvency or resolution, or even earlier)[61]. However, those policies may not necessarily fall into the "critical function" definition provided in IRRD because, whilst having a significant effect at policyholder level, they may fail to qualify as having "a significant impact on the financial system or the real economy" (because they would not impact a "large number of policyholders" for instance).

3.58 Outside of resolution, the primary function of most of the existing schemes is to compensate policyholders for their losses in the event of liquidation. Only three existing IGSs have been reported to be able to ensure the continuation of insurance policies, and five others are able to indirectly ensure such continuation for instance by functioning as a bridge institution, by funding the transfer of insurance policies or by recapitalisation of the undertaking[62]. Regarding specifically timing for continuation of policies by the IGS, they are discussed in the subsection on triggers for IGS activation.

3.59 During a crisis, relevant authorities need a certain degree of flexibility to appropriately take into account the nature and circumstances of each case, as both recital 36 of IRRD and the background document on the opinion on the 2020 review of Solvency II note.

[61] Depending on the framework chosen by the Member State, this continuation may be assumed by the IGS, the NRA or the financing arrangement.

[62] This assessment is susceptible to evolve considering the upcoming implementation of IRRD in national frameworks.

3.60 Therefore, it appears that a "fully-fledged" harmonisation on in which cases a policy should be continued and in which timing would be detrimental for authorities to opt for the best strategy related to the very case at hand.

Policy options

Policy Option 1: Maintaining the status quo

3.61 Member States retain full discretion regarding under which conditions their IGS would continue policies in recovery and insolvency, and in which timing.

3.62 Since the condition of continuation of policies by IGS are not harmonised at those stages, some policyholders may be considerably worse-off if the IGS that is covering said policies is not able to contribute to their continuation rather than policyholders in a similar situation but depending on an IGS with broader functions, more flexible conditions for activation or that is susceptible to be activated faster, especially if they are depending on the policy for part of their revenues.

Policy Option 2: Harmonisation only on the guiding principle of protection of the interest of policyholders, beneficiaries and claimants

3.63 This option consists in harmonisation on the basis of the guiding principle of protection of the interest of policyholders, beneficiaries and claimants.

3.64 This would reflect the need for flexibility underlined in *Analysis* and would improve consistency in the treatment of policyholders across the European Union.

Impact of the policy options

Option 1: Maintaining the status quo		
Costs	Policyholders	Policyholders would continue to benefit from current levels of protection. Therefore, similar policyholders (in particular for life and long non-life) may receive significantly different treatments depending on the *home* legislation of the IGS which covers their policy.
	Insurance and reinsurance undertakings	No impact.
	Supervisory/ Resolution authorities	No impact.
	Other	No impact.

Benefits	Policyholders	No impact.
	Insurance and reinsurance undertakings	No impact.
	Supervisory/ Resolution authorities	No impact.
	Other	No change to existing national protection frameworks; Member States retain full flexibility regarding IGS functions.
Option 2: Harmonization only on the guiding principle of protection of the interest of policyholders, beneficiaries and claimants		
Costs	Policyholders	No impact.
	Insurance and reinsurance undertakings	No impact.
	Supervisory/ Resolution authorities	No impact.
	Other	Implementation requires legislative changes and coordination.
Benefits	Policyholders	Policyholders that subscribed to life or long-term non-life insurance policies would enjoy similar level of protection across the EU.
	Insurance and reinsurance undertakings	No impact.
	Supervisory/ Resolution authorities	No impact.
	Other	No impact.

Comparison of policy options

Timing and continuation of policies by IGS

	Effective and efficient policyholder protection	*Ensuring a level playing field*	*Improving transparency and better comparability*	*Simplification and burden reduction*
Option 1: Maintaining the status quo	0	0	0	+
Option 2: Harmonization only on the guiding principle of protection of the interest of policyholders, beneficiaries and claimants	++	+	+	0

Preferred policy option

3.65 Depending on the specific setup in each Member State, issues related to continuation of policies may already be covered through resolution, national insolvency legislation, and/or existing IGSs. The combination of all these arrangements should, at a minimum, ensure both short- and long-term continuation for insurance policies where this is relevant from a policyholder-protection perspective.

3.66 Since, on these matters, discretion and flexibility are needed at national level, EIOPA is of the view that conditions and timing for continuation of policies by IGSs should be harmonised only on the guiding principle of protection of the interest of policyholders, beneficiaries and claimants.

Stakeholders' view:

Regarding continuation of policies by IGSs, some stakeholders state that continuation should be favoured when the product is a long-term one and difficult to replace, when it protects policyholders better than compensation. Others believe it is better to maintain national discretion over the establishment of features of IGSs such as their functions.

On the timing of such a continuation, national discretion is also quoted, along with a significant variety of answers that relates to the resolution strategy and timely continuation. Finally, some stakeholders believe that continuation of policies should be time-limited only.

THE PLACE OF IGS IN THE INSOLVENCY RANKING

Identification of the issue

3.67 After they have at least partially compensated policyholders, IGSs are usually subrogated to the rights of those policyholders for the amount compensated against the insurer or against other parties who may have caused or contributed to the loss. This system, where IGS pays the claim of the policyholders before recovering funds from the failing insurer allows for a smooth and relatively fast pay out for policyholders, and for the IGS to gets reimbursed over time by the estate.

3.68 As for insurance claims, Article 275 of Solvency II deals with their precedence "over other claims and prescribes two alternatives for the member states to secure claims from insurance contracts (…):

- Under the first alternative (Article 275.1.a), "regarding assets representing technical provisions, insurance claims take absolute precedence over any other claim on the insurer (with the only possible exception of expenses arising from the liquidation procedure), and insurers must establish and keep up to date a special register of the assets used to cover the technical provisions"[63];
- "Under the other alternative (Article 275.1.b), regarding the whole of the assets of the insurer, insurance claims take precedence over any other claim on the insurer, with the only possible exceptions of employees claims, tax claims, social security claims, claims on assets subject to rights in rem and expenses arising from the liquidation procedure"[64].

3.69 However, Article 277 of the same Directive provides that claims by IGS do not necessarily benefit from the provisions of Article 275 (in other words, they may not have precedence over other claims with regard to assets representing technical provisions or over any other claim with a limited list of exceptions), which means that their treatment depends on the national regulation and that if the IGS' resources are limited, additional funding might be required.

Analysis

3.70 Most Member States opted for an IGS that either rank as insurance claims, or right behind them, with a few exceptions. Ranking an IGS after other policyholders would significantly modify the IGS' recovery rate from the estate but allow Member States to prioritize the protection of policyholders whose claims are not covered by an IGS[65] (this would be the case if an insurer sold both "IGS-covered" policies and "non-IGS-covered policies") over the IGS.

3.71 Harmonisation of insolvency ranking for IGS would come at the cost of flexibility for Member States on a topic that is deeply tied to national legal traditions. Two relevant policy options have been identified for this topic: maintaining the status quo and harmonising IGS insolvency ranking at current insurance claims level. Two other options, however, have been studied and considered as non-relevant:

- The first one is to rank IGS immediately after non-covered policyholders. It would ensure that policyholders, beneficiaries and claimants of those non-covered policies enjoy a greater protection than IGS, at the cost of having IGS requiring more funding needs. However, it would

[63] Issues Paper on roles and functioning of policyholders protection schemes (PPSs), December 2023, pages 48.

[64] Issues Paper on roles and functioning of policyholders protection schemes (PPSs), December 2023, pages 47.

[65] In such a system an IGS compensates some policyholders – through separately collected funds – while other policyholders have still reasonably good chance for compensation by having a privileged ranking to an insolvency estate.

require creating a dedicated ranking level for IGS, adding complexity to national frameworks especially in Member States that decided to opt for both option of Article 275 of Solvency II;

- The second one would be to align both insurance claims and IGS insolvency ranking across all Member States, by making option (a) of Article 275(1) of Solvency II mandatory. Those claims would have, regarding assets representing the technical provisions, absolute precedence over any other claim on the insurance undertaking. The insurance guarantee scheme would benefit from those provisions. In effect, this would give IGS a fully harmonised ranking at the exact same level in every Member State, thus ensuring a fair level playing field for insurers across the European Union. However, this would come at the cost of the possibility for Member States to prioritize for instance social security claims or taxes over the IGS claims, and those choices are deeply intertwined in a framework of national preferences and specificities.

3.72 Placing IGSs at a strong and harmonized insolvency ranking would increase confidence in their financial soundness and therefore in their capacity to compensate policyholders[66]. It would also provide more fairness in between creditors from various Member States and generally reduce needs from funding from the industry or policyholders.

3.73 In particular, placing IGS at insurance claims level would be consistent with the subrogation approach and would not add a new layer to existing insolvency ranking[67]. It would also ensure a relatively high level of protection for IGSs, thus requiring comparatively and all else equal, less funding needs.

3.74 Additionally, leaving open the possibility to harmonise IGS insolvency ranking immediately below insurance claims would allow prioritisation of the protection of non-covered policyholders, and especially natural persons, over IGSs; however, it would significantly decrease the IGS' recovery rate from the estate[68]. Indeed, depending on the extent to which the policyholder liabilities are covered by an IGS, this possibility may have an important impact on countries where an IGS currently has the same ranking as insurance liabilities.

Policy options

Policy Option 1: Maintaining the status quo

3.75 This option leaves the definition of the insolvency ranking of IGS entirely up to national discretion according to Article 277 of Solvency II.

3.76 The flexibility allows adaptation to local legal and institutional contexts but may result in continued divergence across the EU, as well as to level playing field issues related to the funding needs.

Policy Option 2: Harmonisation of the IGS insolvency ranking at insurance claims level

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[66] On top of adequate financing arrangements, please refer to section 3.

[67] The IGS would not, under this option, receive a ranking equivalent to insurance claims but benefit from the insurance claims ranking via subrogation.

[68] In such a system an IGS compensates some policyholders – through separately collected funds – while other policyholders have still reasonably good chance for compensation by having a privileged ranking to an insolvency estate.

3.77 This option requires the harmonisation of IGS insolvency ranking at current insurance claims level as defined by Member States on the basis of the two alternatives provided by Article 275(1) of Solvency II[69].

3.78 It would not create a new layer to existing insolvency ranking while ensuring a relatively high level of protection for IGSs.

3.79 By setting up a relatively harmonised insolvency ranking, it would improve level playing field between (re)insurance undertakings across the Union regarding contributions to IGS funding.

Impact of the policy options

Option 1: Maintaining the status quo		
Costs	Policyholders	No impact.
	Insurance and reinsurance undertakings	Insurance and reinsurance undertakings funding an IGS at a low insolvency ranking may have to contribute more than their competitors both before a crisis (because it is anticipated that the IGS will recover less) and during/after a failure.
	Supervisory/ Resolution authorities	No impact.
	Other	No impact.
Benefits	Policyholders	No impact.
	Insurance and reinsurance undertakings	No impact.
	Supervisory authorities	No need to modify national insolvency hierarchies.
	Other	Creditors in Member States where IGSs rank relatively low maintain their preferential position in insolvency.

[69] In case of a Member State under Article 275(1)(a) option, this would be similar to the insolvency ranking of the IGS if the assets constituting the technical provisions were transferred to it.

Option 2: Harmonization of the IGS insolvency ranking at current insurance claims level through subrogation		
Costs	Policyholders	No impact.
	Insurance and reinsurance undertakings	No impact.
	Supervisory/resolution authorities	No impact.
	Other	Implementation requires coordination and possible amendments to national insolvency laws. Short-term administrative costs.
Benefits	Policyholders	Equal treatment across the EU. Insurance and reinsurance undertakings (or even policyholders if applicable) currently funding an IGS at a low insolvency ranking would need to contribute less both before a crisis (because it is anticipated that the IGS will recover less) and during/after a failure.
	Insurance and reinsurance undertakings	Insurance and reinsurance undertakings (or even policyholders if applicable) currently funding an IGS at a low insolvency ranking would need to contribute less both before a crisis (because it is anticipated that the IGS will recover less) and during/after a failure.
	Supervisory/resolution authorities	Increased financial stability via trust in the “recovering” scheme.
	Other	Greater clarity and predictability for all creditors; reduced risk of disorderly outcomes in insolvency.
	Supervisory/resolution authorities	If the IGS benefits from a high ranking, increased financial stability via trust in the “recovering” scheme.
	Other	Greater clarity and predictability for all creditors; reduced risk of disorderly outcomes in insolvency.

Comparison of policy options

IGS in insolvency ranking				
	Effective and efficient policyholder protection	***Ensuring a level playing field***	***Improving transparency and better comparability***	***Simplification and burden reduction***
Option 1: Maintaining the status quo	0	0	0	0
Option 2: Harmonization of the IGS insolvency ranking at insurance claims level through subrogation	+	+	+	+

Preferred policy option

3.80 EIOPA is of the view that IGS should have a harmonised ranking in insolvency across Member States at the same rank as insurance claims according to the option that each Member State decided to follow under Article 275(1) of Solvency II, . In addition, leaving an option for Member States to rank IGS immediately after policyholders would give them flexibility to prioritise the protection of non-covered policyholders, and especially natural persons, over IGSs.

Stakeholders' view:

Regarding the place of IGS in insolvency ranking, answers were split between:

-support for giving IGS preferential treatment to safeguard the IGS resources (it allows for easier recovery), avoiding a potential refund by a national government and reducing costs for the industry. A stakeholder also mentioned the fact that this would be consistent with the bank framework (article 108 of BRRD).

-and support for letting this matter fully at national level, since it is highly related to national law (especially insolvency rules) and preferences.

SECTION 3: DESCRIPTION OF CONDITIONS FOR EFFECTIVE FUNDING OF IGS

EXTRACT FROM THE CALL FOR ADVICE

4.1 Regarding funding, EIOPA indicated in its 2020 Solvency II Opinion that further work would be needed in relation to specific situations where a pure ex post funding model could potentially work, subject to adequate safeguards. EIOPA is, therefore, requested to provide advice under which specific situations a pure ex-post model could work and how such a model with adequate safeguards could look like, under the assumption of a harmonised 'home country principle' to geographical coverage. Under the same assumption, EIOPA is also requested to advise how a combined funding model, mainly based on ex-post funding but incorporating some ex-ante funding, could be set up, where necessary differentiating across types of insurance policies.

RELEVANT IRRD-PROVISIONS, PREVIOUS EIOPA ADVICE, AND REGULATORY BACKGROUND

Previous EIOPA work

4.2 In its opinion from 2020, EIOPA advises that Member States should ensure that IGSs have in place adequate systems to determine their potential liabilities. The available financial means of IGSs should be proportionate to those liabilities.

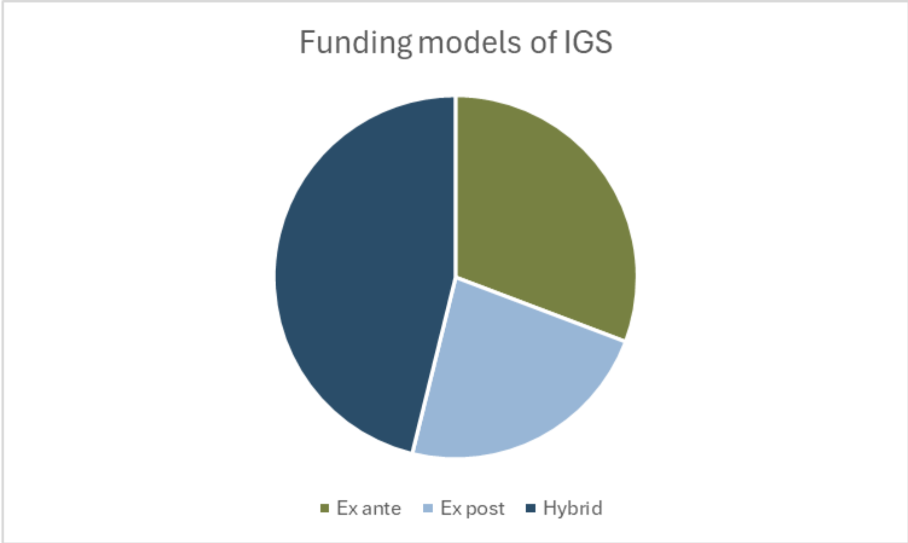
4.3 EIOPA is of the view that IGSs should be funded on the basis of ex-ante contributions by insurers, possibly complemented by ex-post funding arrangements in case of capital shortfalls. Further work is needed in relation to specific situations where a pure ex-post funding model could potentially work, subject to adequate safeguards.

4.4 An appropriate target level for the funding of IGSs should be defined across Member States, taking into account the national market specificities. This target level should be accompanied by a suitable transition period to ensure that the target level can be achieved without major disruptions to the industry. Moreover, EIOPA advises to consider the introduction of upper limits to the annual contributions made by an individual insurer or from the industry as a whole into IGSs to mitigate the risk of overburdening the industry.

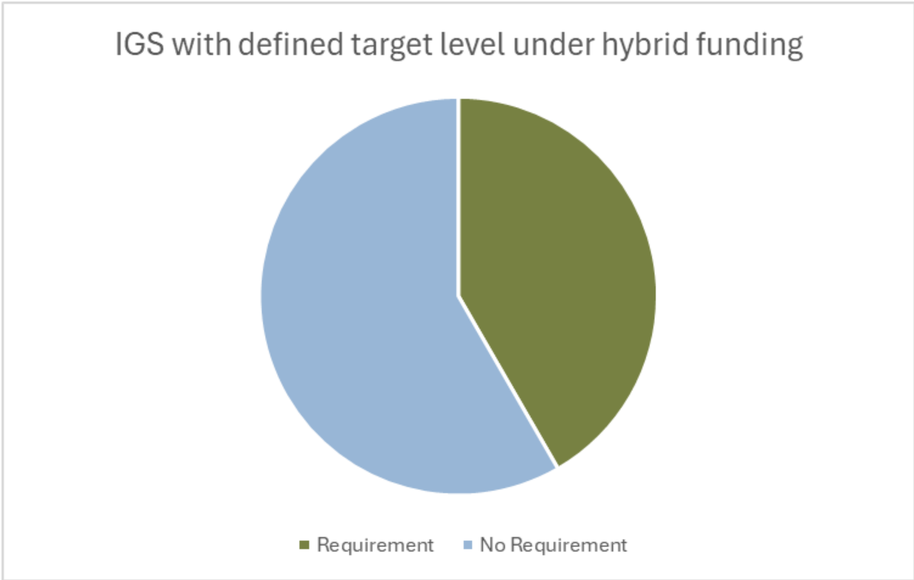
Status quo in Member States

4.5 Out of 26 IGS in place in the EU[70], 12 are funded as hybrid model based on a combination of ex-ante and ex-post contributions. 8 IGS funding models collect insurers' levies mainly on ex-ante basis, and 6 IGS mainly on ex-post basis.

[70] Acknowledging that there are Member States with more than one IGS is place differently funded.



4.6 Regarding those 12 funding models based on combined or hybrid funding collection, 7 IGS do not define nor apply a target level.



Identification of issues

4.7 Issues to investigate for effective funding of IGS are:

- Adequate safeguards to ensure that liquidity is immediately available;
- Specific situations which need to be considered for ex-post levy collection; and
- Combined or hybrid funding.

ADEQUATE SAFEGUARDS TO ENSURE THAT LIQUIDITY IS IMMEDIATELY AVAILABLE

Analysis

4.8 The central operational and financial challenge for IGS becomes the availability of liquidity at the time an insurer fails (or several insurers fail). The key objective of IGS funding is to assure the active role of the IGS when falling due. Compensation obligations could arise immediately in specific circumstances. Minimum harmonisation can therefore focus on identifying a set of liquidity safeguards that national schemes may employ to ensure sufficiently capitalised IGS without mandating a uniform approach or imposing a single model across the Union. Potential safeguards should not incentivize moral hazard by market participants. In addition to the measures mitigating liquidity shortfalls in case of failures, IGS needs to be funded for operational purposes regardless of any failure.

Credit lines

4.9 One potential safeguard involves the use of committed credit lines arranged at national level. These facilities can be established with commercial banks, or the national treasury, depending on domestic legal frameworks and financial market structures. The purpose of such credit lines is to provide the IGS with immediate access to liquidity when compensation obligations arise. Their size and terms can be calibrated to reflect the characteristics of the domestic insurance market, including the number of insurers, the distribution of market shares, and the potential scale of failures. In some Member States, credit lines may be structured as revolving facilities, while in others they may take the form of fixed-term borrowing arrangements. The flexibility of this approach allows each Member State to tailor liquidity arrangements to its own market conditions. Cost implications arise from the application of this approach.

Statutory borrowing powers

4.10 Another safeguard involves granting the national IGS explicit statutory authority to borrow funds, with repayment linked to future ex-post levies. Borrowing powers can provide an additional layer of liquidity, particularly in situations where credit lines are insufficient or where the IGS prefers to diversify its liquidity sources acknowledging further funding needs potentially impacting the insurance sector. National legislation can define the scope of borrowing powers, including maximum borrowing limits, eligible lenders, and the legal mechanisms through which levies are used to service debt. Clear statutory provisions can enhance lender confidence, making it easier for the IGS to access liquidity even during periods of financial stress. Borrowing powers also allow Member States to design liquidity arrangements that reflect their own legal traditions and financial market practices.

Funding cooperation between IGS

4.11 On national level, different IGS within one Member State should have the possibility of borrowing powers between each other in case needed. The underlying assumption is that not all IGS will be triggered at the same time because some IGS might cover for example life business, other non-life. These borrowing powers might be limited in case of concentrated markets and funding models with high ex-post portion.*Internal entity-specific resouces*

4.12 Internal entity-specific resources (i.e. undertaking´s own funds) may also be considered as potential sources of liquidity and thus safeguards for IGS[71]. Where such resources are transferred to an IGS, they can provide immediate access to financial means and thereby function both as funding sources and as safeguards. In this context internal funding sources may take the form of a legally segregated ("ring-fenced") asset portfolio that is permanently maintained to cover technical provisions in accordance with Article 275 of the Solvency II framework. Due to their strict purpose limitation, these assets remain continuously available and retain their value over time. In the event of an IGS intervention, this asset portfolio can be transferred to the IGS and constitutes an immediate financial basis. The particular quality of such internal sources lies in the fact that they are not mobilised only in the event of a crisis, but already in place and specifically allocated to policyholders.

Ex-post levy collection

4.13 For models mainly based on ex-ante contribution, the collection of additional levies on ex-post basis could serve as another safeguard. However, considerations for this safeguard should at least reflect:

- the resolution measure applied does not lead to immediate funding needs on short term;
- the failure(s) occurred do not lead to nor are caused by systemic risk.

Potential areas of additional work not directly related to this Call for Advice:

Crisis-management coordination on national and cross border basis

Effective liquidity mobilisation depends on coordination among national authorities. Domestic arrangements may involve cooperation between the IGS, the insurance supervisor, the ministry of finance, and any national resolution authority. Coordination can facilitate timely information sharing, ensure that liquidity arrangements are activated smoothly, and support the management of complex failures. Minimum harmonisation can recognise the importance of such coordination without prescribing institutional structures or decision-making processes, leaving Member States free to organise their crisis-management frameworks according to national preferences. Assuming the home-country principle for IGS in the EU, the coordination between national authorities across Member States is an important element in case of failure especially when the insurance undertaking activities fall under the freedom of services. The impact on the IGS in the home Member State derives from the overview of claims in host markets. Coordinating measures on national as well as cross border are seen as good practice to overview funding needs and applicable safeguards in a timely manner.

SPECIFIC SITUATIONS WHICH NEED TO BE CONSIDERED FOR EX-POST LEVY COLLECTION

4.14 An ex-post insurance guarantee scheme (IGS) is a model in which the industry mainly finances policyholder protection only after an insurer has failed, rather than building a prefunded reserve "ex-ante" which would imply an actual disbursement of funds. The following section highlights aspects that should be taken into account in the context of ex-post levy collection regardless

[71] See for more detail https://www.iais.org/uploads/2023/12/Issues-Paper-on-roles-and-functioning-of-policyholder-protection-schemes-PPSs.pdf and https://www.fsb.org/uploads/P100122-1.pdf

whether these levies determine the underlying funding model or whether they are collected as additional safeguard measure in case of IGS liquidity risk.

Low probability of collective failures due to exposure to common shocks

4.15 The probability of large, correlated failures by several insurance undertakings must be low. The risk for macroprudential shocks affecting the insurers significantly on comparable level should be low. Ex-post funding presupposes that failures are typically non-correlated, idiosyncratic — stemming from lapses due to operational risks, mispricing in niche lines, or isolated operational weaknesses — rather than systemic events triggered by sector-wide vulnerabilities. Conversely, diversified product mixes, robust reserving standards, and limited exposure to systemic risk are better suited to ex-post levy collection.

Financial strength of the surviving insurers in the market

4.16 Equally important is the financial strength and profitability of surviving insurers. Ex-post levy collection relies on the assumption that the remaining undertakings can absorb levies without jeopardising their own solvency or competitive position. This requires a sector with stable earnings, adequate capital buffers, and business models that are not excessively sensitive to the same risks that has caused the failure. If the surviving firms are already under stress with low level of solvency, ex-post levies can become procyclical, exacerbating the downturn and potentially triggering further failures. A healthy, profitable and diversified industry is a prerequisite for levy collection on ex-post basis.

Structure of the insurance market

4.17 The size of typical failures relative to the market also plays a decisive role. The condition is that the insurance market is not concentrated nor dominated by one insurance company respective by one insurance group, which failure would be difficult to be absorbed by the surviving insurers. Ex-post levy collection should be linked to historical failure patterns, where the IGS is activated infrequently, and where the liabilities it must cover are predictable and bounded.

Clear and enforceable levy powers

4.18 The legal framework must also provide clear, enforceable levy powers. Ex-post levy collection requires that the IGS can impose contributions swiftly and predictably, with statutory authority to enforce payment and penalise non-compliance. Undertakings must understand in advance how levies will be calculated for individual contribution, over what period they will be collected, and what caps or extraordinary mechanisms may apply. Without this clarity, risks for legal disputes arise, delays, and uncertainty that undermine effective levy collection.

CONSIDERATIONS FOR COMBINED OR HYBRID FUNDING

4.19 A combined funding model based on ex-ante and ex-post contributions raises several design considerations. Such a model sits between fully pre-funded and fully post-funded approaches, and its structure depends on how Member States balance preparedness, proportionality, and flexibility. Such hybrid model is designed to mitigate various risks, such as insufficient or delayed payments, or the lack of a guarantee of immediate liquidity in the event of defaults, as well as the

associated uncertainties that arise when there are no adequate safeguards, such as credit lines, statutory borrowing powers or entity specific sources. The hybrid approach introduces certain questions concerning:

- the appropriate degree of the ex-ante funding;
- the methodology to determine the contribution;
- the extent to which differentiation across insurance business lines is necessary to reflect their distinct risk and liability profiles[72]; and
- governance considerations for the IGS[73].

4.20 The main objective of introducing a target level is the mitigation of liquidity risk for IGS. Potential factors impacting the target level are inter alias:

- Historical failure rate;
- Risk exposure for the insurance sector;
- Eligible policies; or
- Resolution strategies applied.

Degree and methodology of ex-ante funding[74]

4.21 The ex-ante component is generally intended to provide immediate liquidity rather than to fully cover the costs of an insurer failure. One consideration is how large this buffer should be to get a minimal volume for funding immediately. The target level needs to ensure that the IGS is sufficiently funded to initiate timely interventions such as maintaining continuity of cover or facilitating a portfolio transfer. The calibration of this target level can consider the size and concentration of the national insurance market, historical failure patterns, and the expected speed at which ex-post levies can be collected.

Contribution methodology

4.22 Another aspect concerns the contribution methodology. Some schemes may explore risk-based ex-ante contributions, using indicators such as capital requirements which are based on the volume of overall business or total technical provisions or gross written premiums. Solvency ratios combined with other (supervisory) risk indicators (for example categorisation in the supervisory risk assessment framework) asset-liability mismatches, gross written premiums or product complexity can determine the IGS funding based on risk-based indicators. Other funding models may prefer simpler proportional approaches to reduce administrative burden. The choice between these methods affects how closely the contribution for the ex-ante portion reflects the underlying risk profile of the undertaking.

Differentiation across insurance lines of business and resolution strategy[75]

4.23 Differentiation across insurance lines may also be relevant. Life insurance products involve long-term liabilities and may require to preserve policy values at the time of failure as well as over a longer time horizon. Non-life insurance, with shorter-tailed claims and typically lower systemic impact like for example fire or flood insurance, may require less immediate liquidity in case of

[72] See for detail chapter on B1 on impact of harmonised IGS

[73] See for detail chapter on B2 on operational functioning of IGS

[74] Considerations are excluded in this analysis on pure ex-ante funding as irrelevant.

[75] See for detail chapter on B1 on impact of harmonised IGS and B4 on interaction between IGS and IRRD

absence by major claims volume at the time of failure. Failures for these product classes might cause second round effects, for example due to the risk transfer to the reinsurer. Pension-like products, where covered by IGS, introduce additional considerations related to social sensitivity and the complexity of transferring liabilities. These differences may influence how ex-ante contributions are allocated across business lines. Similar considerations apply with respect to the resolution measures applied, which potentially trigger the IGS funding on different timescales during the resolution.

Governance considerations

4.24 A combined funding model requires clear governance structures to ensure predictability and consistency. Key considerations include defining activation triggers for both ex-ante and ex-post funding, establishing transparent methodologies for calculating contributions, and setting reporting standards for fund levels, risk exposures, and intervention costs. Minimum harmonisation may involve setting baseline requirements while allowing Member States to refine operational details.

Operational buffers

4.25 Some Member States may choose to maintain a small operational buffer within the IGS funding which will allow the IGS to continuously remain operational i.e. to fund its own capacity (staff for example). The buffer can originate from previous funding or other safeguards applied and represents an irrevocable payment commitment. Such a buffer is not intended to prefund losses or to replace ex-post levies, but rather to facilitate the handling of minor failures, administrative expenses, or transitional liquidity needs. In case of failure occurred, an operational buffer could as well reduce the frequency with which credit lines or borrowing mechanisms are activated, thereby lowering administrative costs. Day-to-day operations between IGS and the insurance sector could be simplified in particular when the operational buffer is determined on ex-ante basis (for example by set payment systems). Funding models mainly based on ex-post contributions, might vice versa request higher operational costs when falling due. Minimum harmonisation can recognise the possibility of such buffers without prescribing their size or funding method, allowing Member States to determine whether such a tool is appropriate for their national context.

Policy issues

4.26 Based on the analysis made, the feasibility of specific funding models depend on the circumstances of the market in which the IGS operates and on its subsequent design. Important in that regard is the development of specific safeguards to make sure liquidity is available or retrievable when it is required. As baseline for assessment, the maintenance of the status quo applies; the following policy issues are identified:

1) Adequate safeguards to ensure that liquidity is immediately available

4.27 Immediate liquidity when an insurer fails is the key challenge for IGS funding, especially, but not limited to, systems that rely on ex-post funding, where resources are collected only after a failure. Therefore adequate safeguard measures applied are key to ensure sufficient liquidity which is not solely related to the funding model (i.e., ex-ante or ex-post levy collection) but also

relate to the eligible policies and to the liquidation or resolution strategy, to the type of IGS (i.e. whether it continues policies or compensates) and, in compensation cases, to the deadline for policy holders to submit their claims and to the deadline for payouts to policyholders. Minimum harmonisation should therefore focus on identifying liquidity safeguards addressing all the above.

2) Specific situations which need to be considered for ex-post levy collection

4.28 Ex-post levy collection for IGS, functioning as liquidity safeguard, may be effective under specific conditions and may not pose additional risk to financial stability under these conditions. Examples of such conditions are that correlated failures are not likely to happen, meaning insurer failures must be largely idiosyncratic rather than driven by a common shock such as interest-rate volatility or catastrophe-heavy portfolios. The financial strength of surviving insurers is as well essential so that ex-post levies do not threaten their solvency nor create procyclical stress. Ex-post levy collection may also be applied under the condition of non-concentrated markets without dominant insurers, where failures are typically small in scale for the sector to absorb. A credible framework must include clear, enforceable levy powers to ensure timely collection for example to compensate safeguards applied (i.e. private credit lines).

3) Combined or hybrid funding

4.29 A combined or hybrid funding, maintained by ex-ante and ex-post contributions, requires careful design to balance preparedness, proportionality, and flexibility. The ex-ante element mainly provides immediate liquidity, enabling early interventions such as maintaining cover or facilitating portfolio transfers. Its target level would depend on market size, and market concentration, historical failure rate and the conditions for failure, as well as the time horizons under which for example ex-post levies could be raised to mitigate liquidity shortfalls or other safeguard measure could be applied as for example operational buffers, which keep the IGS continuously functional regardless of failures occurring while reducing reliance on other immediate safeguard measures. Contribution methodologies may be risk-based – using indicators such as regulatory capital requirements like solvency ratios, market penetration, gross technical provisions or product complexity – or simpler proportional approaches. Differentiation across business lines may be needed, as life, non-life, and pension-type products have distinct liquidity and protection needs. Effective governance is essential, including clear activation triggers, transparent contribution rules, and consistent reporting standards.

Policy options

Issue	**Options**
1) Adequate safeguards to ensure that liquidity is immediately available	2.1 Maintaining the status quo, no harmonisation for liquidity safeguards with flexibility on potential application, scope and scale 2.2 Requirement to establish safeguards , but allowing flexibility regarding form and scale

	2.3 Requirement to establish safeguards, which would comprise credit lines, to meet minimum EU-level standards regarding form and scale[76]
2) Specific situations which need to be considered for ex-post levy collection	1.1 Maintaining the status quo, Member States freely choose to apply ex-post levy collection, i.e. based on political or historical reasons 1.2 When Member States apply ex-post levy collection as applied safeguard measure, requirement to base it on an assessment of market conditions[77]
3) Combined or hybrid funding	3.1 Maintaining the status quo, no harmonisation, allowing Member States full discretion 3.2 Requirement to ensure that hybrid funding include a sufficient ex-ante component or operational buffer as safeguard measure, without prescribing the percentage for ex-ante funding expressed in minimum target levels 3.3 Requirement to apply a harmonised methodology to estimate an IGS specific target level per Member State based on ex-ante funding, calibrated to expected funding needs across relevant scenarios of possible failures[78]

Impact of each policy option on relevant stakeholders

<u>Policy Issue 1: Adequate safeguards to ensure that liquidity is immediately available</u>

[76] Containing some sort of exemption clause “if the intended protection level is already sufficiently provided by the resolution regime / financing arrangement”

[77] See examples of market conditions in the analysis

[78] Containing some sort of exemption clause “if the intended protection level is already sufficiently provided by the resolution regime / financing arrangement”

Option 1: Maintaining the status quo, no harmonisation for liquidity safeguards with flexibility on potential application, scope and scale		
Costs	Policyholders	Higher risk that safeguards applied are not sufficient, resulting in higher risk of delayed compensation due to absence of harmonised liquidity safeguards. Liquidity may not be available when failures occur, especially where ex-post levies take time to collect. This undermines continuity of policies and payout certainty.
	Insurance and reinsurance undertakings	Reputational risk for the insurance sector compared to banking. Exposure to unpredictable and potentially large ex-post levies if liquidity is insufficient. Lack of clarity on levy procedures increases uncertainty.
	Supervisory authorities	Resource cost to coordinate funding in case of liquidity shortfall. Coordination challenges and increased operational burden, especially for cross-border cases, may delay liquidity mobilisation.
	Other	Lenders (banks, treasuries) face uncertainty due to absence of statutory borrowing powers or clear levy-backed repayment mechanisms, reducing willingness to provide liquidity.
Benefits	Policyholders	Less cost impact in case no safeguards apply in case of high portion of ex-post funding. No direct improvement in protection.
	Insurance and reinsurance undertakings	Less cost for ex-post funding in case of no failure. No new compliance or funding obligations.
	Supervisory authorities	No need to adjust existing frameworks; avoids implementation costs.
	Other	National treasuries retain full autonomy; no EU-level constraints.
Option 2: Requirement to establish safeguards, but allowing flexibility regarding form and scale		
Costs	Policyholders	Indirect costs if insurers pass on expenses associated with establishing safeguards (e.g., arranging credit lines or buffers).
	Insurance and reinsurance undertakings	Potential administrative and financial burden from contributing to operational buffers or supporting levy-backed borrowing arrangements. However, flexibility allowed regarding proportionality applied.
	Supervisory authorities	Need to assess and monitor national safeguard frameworks; moderate implementation effort.
	Other	Lenders may need to adapt to new statutory or contractual arrangements, but flexibility reduces rigidity.
Benefits	Policyholders	Improved certainty of timely compensation because all Member States must have some form of liquidity safeguard. Reduces risk of delayed payouts inherent in ex-post models (pure or high portion of ex-post).
	Insurance and reinsurance undertakings	More predictable levy and liquidity arrangements; clearer procedures reduce uncertainty and support planning.

	Supervisory authorities	Better crisis-management coordination and more reliable liquidity mobilisation across Member States.
	Other	Lenders benefit from clearer levy-collection procedures and statutory clarity, improving confidence in repayment.
Option 3: Requirement to establish safeguards, which would comprise credit lines, to meet minimum EU-level standards regarding form and scale		
Costs	Policyholders	Possible indirect cost pass-through from insurers to policyholders.
	Insurance and reinsurance undertakings	Higher compliance costs than Option 2 due to formalised minimum standards. May require upfront contributions or contractual commitments.
	Supervisory authorities	Increased oversight burden to ensure minimum standards are met.
	Other	Public treasuries or banks possibly providing credit lines may face contingent liabilities; need to maintain readiness to lend.
Benefits	Policyholders	Strongest assurance of timely compensation. Minimum level of safeguards ensure access to liquidity for even larger events or multiple events in times of systemic risk for the whole sector.
	Insurance and reinsurance undertakings	Reduced risk of sudden, large ex-post levies because liquidity is pre-arranged and confirmed resulting in stable and predictable funding environment.
	Supervisory authorities	High reliability of liquidity mobilisation; improved crisis-management capacity, including cross-border coordination.
	Other	Lenders may benefit from statutory borrowing powers and clear levy-backed repayment mechanisms, increasing confidence even during times of financial stress.

Comparison of policy options against policy objectives

	Effective and efficient policyholder protection	*Ensuring a level playing field*	*Improving transparency and better comparability*	*Simplification and burden reduction*
Option 1: Status quo	0	0	0	0
Option 2: Requirement to establish safeguards, but allowing flexibility regarding form and scale	+	+	+	-
Option 3: Requirement to establish safeguards, which would comprise credit lines, to meet minimum EU-level standards regarding form and scale	++	++	++	--

Preferred policy option

4.30 **Option 2: Requirement to establish safeguards, but allowing flexibility regarding form and scale** is recommended as best balanced option for the aimed policy objectives. Even though leaving the flexibility of designing the safeguards to Member States, EIOPA strongly favours and recommends private credit lines which impact less government expenditure and subsequently burden to taxpayers. In addition, private credit lines are seen as better measure to mitigate the potential risk of moral hazard. EIOPA acknowledges that option 3 could results in better outcomes regarding objectives 1; 2 and 3, but as well in higher implementation and operational costs. Consiering these costs implications, EIOPA favours option 2 against option 3: safeguards in the context of ex post financing are important, but it should be left to Member States to decide how these are ultimately structured, particularly depending on the respective Financing Arrangements, which Member States are free to design in accordance with Artikel 81 of the IRRD.

Policy Issue 2: Specific situations which need to be considered for ex-post levy collection

Option 1: Maintaining the status quo, Member States freely choose to apply ex-post levy collection, i.e. based on political or historical reasons		
Costs	Policyholders	Higher risk that ex-post funding is applied in situations for which it is not suited, resulting in unequal treatment within the internal market due to possible higher premiums in MS with ex-ante funding; different prices for similar products across the EU. Lack of transparency for policyholders whether and when the claim will be paid. Potentially longer period before claims payment.
	Insurance and reinsurance undertakings	Higher competition within the EU internal market across Member States impacting insurers' profit margins negatively. Higher national levies due to failures on cross-border basis. Potential lack of transparency for levy payments in case of failures. Potential for procyclical or systemic risk for the entire national insurance sector in case of major failures and funding needs.
	Supervisory authorities	Pressure on supervisory measures to mitigate failures
	Other	Higher risk of potential moral hazard and potential risk taking per individual insurers in the market on national level and for cross-border business
Benefits	Policyholders	Lower premiums before major failures; no transfer of insurers' costs to policyholders in the absence of failures.
	Insurance and reinsurance undertakings	Less cost impact because levies are only due after failures.
	Supervisory authorities	Less resource costs for monitoring of potential developments in market conditions
	Other	No conflict with political nor historical system; national treasuries retain full autonomy; no EU-level constraints
Option 2: When Member States apply ex-post levy collection as applied safeguard measure, requirement to base it on an assessment of market conditions		
Costs	Policyholders	Risk that ex-post funding is applied in situations for which it is not suited, resulting in increase of premiums in case of unfavourable market conditions can be better mitigated. Unlevel playing field for potential cost implications between different Member States due to different market conditions.
	Insurance and reinsurance undertakings	Risk of procyclical or systemic risk exposure after failures is better mitigated if favourable market conditions for high portion of ex-post funding are given. In case of non-favourable market conditions for high portion of ex-post funding, higher cost implications to the sector due to ex-ante funding.
	Supervisory authorities	Higher resource costs for monitoring of developments of market conditions.
	Other	Cost for changing IGS funding and potential national legislation in case market conditions have changed.
Benefits	Policyholders	Higher degree of transparency and certainty in claims payments due to funding model based on market conditions. Decrease or maintenance of

		premiums levels in case of favourable market conditions for high portion of ex-post funding (in absence of failures).
	Insurance and reinsurance undertakings	In case of non-favourable market conditions for high portion of ex-post funding, less immediate costs in case of failures. In case of non-favourable market conditions for high portion of ex-post funding, less procyclical or systemic risk exposure in case of failures.
	Supervisory authorities	Reflection of companies' risk profiles and risk exposures on national basis to determine the market conditions
	Other	Given market conditions as factual arguments for IGS funding ('realistic view')

Comparison of policy options against policy objectives

	Effective and efficient policyholder protection	*Ensuring a level playing field*	*Improving transparency and better comparability*	*Simplification and burden reduction*
Option 1: Status quo	0	0	0	0
Option 2: When Member States apply ex-post levy collection as applied safeguard measure, requirement to base it on an assessment of market conditions	+	+	++	-

Preferred policy option

4.31 **Option 2: When Member States apply ex-post levy collection as applied safeguard measure, requirement to base it on an assessment of market conditions** is the preferred policy option as policy holder protection as well as ensuring a level playing field and transparency are positively impacted by this option. Acknowledging that this option bears implementation and operational costs, especially for cases where the outcome of such assessment is not supporting ex-post levy collection as safeguard measure which could potentially lead to an increase of portion for the ex-ante funding, the advantages in particular for a comparable approach between Member States and higher policyholder protection across the EU predominates the cost disadvantage.

Policy Issue 3: Combined or hybrid funding

Option 1: Maintaining the status quo, no harmonisation, allowing Member States full discretion		
Costs	Policyholders	Higher risk that the portion applied between ex-post and ex-ante funding does not reflect market conditions, resulting in uneven protection across Member States; unless safeguards are in place, risk of inadequate or delayed payouts in some jurisdictions. No guarantee of immediate liquidity in failures, increasing uncertainty.
	Insurance and reinsurance undertakings	Fragmented national requirements create compliance complexity for cross-border insurers respective insurance groups. Exposure to unpredictable ex-post levies in some Member States applying low portion of ex-ante funding.
	Supervisory authorities	Continued fragmentation complicates cross-border coordination. No common principles for activation triggers or contribution methodologies.
	Other	Potential for market distortions for the insurance sector due to divergent national funding models. Higher contagion risk in concentrated markets without harmonised liquidity buffers.
Benefits	Policyholders	No direct cost increases from new ex-ante contributions. Member States can tailor protection to local preferences, i.e. political or historical reasons.
	Insurance and reinsurance undertakings	No new administrative burden. Full national flexibility in designing or maintaining existing IGS structures.
	Supervisory authorities	No need to redesign systems or recalibrate funding models. Full discretion to maintain current supervisory practices.
	Other	Preserves national autonomy and avoids transition costs. No need for EU-level coordination mechanisms.
Option 2: Requirement to ensure that hybrid funding include a sufficient ex-ante component or operational buffer as safeguard measure, without prescribing the percentage for ex-ante funding expressed in minimum target levels		
Costs	Policyholders	Possible pass-through of ex-ante contributions into premiums or less guarantees in policy coverage. Uneven impact across business lines if differentiated funding is used resulting in less clarity for policyholders. Transitional uncertainty as Member States adjusts models.
	Insurance and reinsurance undertakings	Potential administrative and financial burden from risk-based contribution methodologies for new ex-ante contribution. Expected costs are likely to be higher for countries that do not have an IGS or do not rely on ex ante funding mechanisms. Complexity and impact on operational cost for cross-border insurers due to differing national implementations.
	Supervisory authorities	Need to design, calibrate, and monitor ex-ante buffers. Increased oversight workload for risk-based contributions and cross-border coordination. Requirement to set activation triggers and reporting standards.
	Other	Potential market-wide liquidity effects if large ex-post levies are triggered or ex-ante portion is not adequate. Reinsurers may face second-round effects in non-life failures.

Benefits	Policyholders	Faster and better guaranteed access to protection due to immediate liquidity for continuity of cover enhancing consumers' trust. More predictable outcomes in failure scenarios. Reduced delays in portfolio transfers.
	Insurance and reinsurance undertakings	More predictable and transparent funding obligations. Better alignment of contributions with risk profile if risk-based elements are used. Reduced systemic financial impact from failures due to ex-ante contributions. Current IGS funded on ex ante only could benefit from a hybrid model, as the introduction of ex post funding would reduce the need for upfront contributions.
	Supervisory authorities	Improved resolution readiness due to immediate liquidity buffers. Clearer liquidity governance enhances consistency and increases level playing field on cross-border basis. Better coordination possibilities across borders.
	Other	Greater financial stability in national markets. Reduced contagion risk in concentrated sectors. More harmonised expectations for cross-border insurers. National target levels could be orientated on historical failure rate.
Option 3: Requirement to apply a harmonised methodology to estimate an IGS specific target level per Member State based on ex-ante funding, calibrated to expected funding needs across relevant scenarios of possible failures		
Costs	Policyholders	Higher likelihood of premium increases due to more substantial ex-ante funding requirements. For countries with low failure rate, higher impact to introduce target levels not reflecting historical experience.
	Insurance and reinsurance undertakings	Significant upfront funding obligations tied to calibrated target levels. Stronger risk-based differentiation may increase costs for higher-risk undertakings. Reduced flexibility for national tailoring. Expected costs are likely to be higher for countries that do not have an IGS or do not rely on ex ante funding mechanisms.
	Supervisory authorities	Need for sophisticated modelling of expected funding needs across scenarios. Higher administrative burden to maintain and recalibrate target levels. Increased complexity in cross-border coordination and cross-border risk assessment.
	Other	Larger ex-ante funds may create opportunity-cost concerns (capital tied up). Potential competitive distortions if calibration differs subtly across Member States.
Benefits	Policyholders	Highest level of certainty that funds will be available immediately in a failure even under systemic financial stress. Strongest protection against delays in resolution or payout.
	Insurance and reinsurance undertakings	Maximum predictability of funding obligations. Reduced risk of sudden liquidity shocks from ex-post levies. Current IGS funded on ex ante only could benefit from a hybrid model, as the introduction of ex post funding would reduce the need for upfront contributions.
	Supervisory authorities	Strongest resolution readiness due to robust prefunding even under systemic financial stress. Easier planning for interventions and portfolio transfers. Better understanding of scenarios for systemic financial stress.
	Other	Enhanced financial stability and reduced contagion risk. More consistent protection across the EU, supporting deeper market integration.

Comparison of policy options against policy objectives

	Effective and efficient policyholder protection	*Ensuring a level playing field*	*Improving transparency and better comparability*	*Simplification and burden reduction*
Option 1: Status quo	0	0	0	0
Option 2: Requirement to ensure that hybrid funding include a sufficient ex-ante component or operational buffer as safeguard measure, without prescribing the percentage for ex-ante funding expressed in minimum target levels	+	+	+	-
Option 3: Requirement to apply a harmonised methodology to estimate an IGS specific target level per Member State based on ex-ante funding, calibrated to expected funding needs across relevant scenarios of possible failures	++	++	++	--

Preferred policy option

4.32 **Option 2: Requirement to ensure that hybrid funding includes a sufficient ex-ante component or operational buffer as safeguard measure, without prescribing the percentage for ex-ante funding expressed in minimum target levels** is the recommended policy option for harmonisation of IGS at this stage. Even though option 3 ensures higher protection and clarity for policyholders and a better risk-based approach regarding funding needs, EIOPA believes that the impact on (re)insurers costs under option 3 outrages its benefits considering the difficulties to determine a harmonised methodology to estimate an IGS specific target level per Member State. The second option adequately shares the financial burden among the market participants, because in this case the levies paid earlier by the failed company will also contribute to the costs of the payments to the clients and these costs will not only be financed by the remaining insurers. Therefore, a gradual implementation of requirements is recommended, with option 2 as preferred option allowing for national flexibility.

Stakeholders' view:

Stakeholders generally consider **ex-post funding appropriate in specific situations, particularly in non-life insurance** where the collective risk pool remains intact and failures are infrequent. Several respondents emphasise that ex-post models work well when supported by strong legal levy powers, caps on annual contributions, and mechanisms to spread payments over multiple years. Some point to existing national examples—such as Sweden's motor guarantee body or Canada's long-tested system—to argue that ex-post funding can be reliable if contributions are mandatory and enforceable. Many also stress that funding design should remain a national competence, given market heterogeneity.

Across the input, there is broad agreement that **liquidity safeguards are essential for both pure ex-post models and hybrid models with minimal ex-ante funding**. Commonly proposed safeguards include pre-arranged credit lines, government-backed or bank-provided liquidity facilities, emergency levy mechanisms, and statutory early-warning information from supervisors. Several stakeholders note that a small ex-ante buffer may be justified to cover operational costs or ensure rapid payouts, especially in life insurance, but should remain limited to avoid "dead money" and unnecessary capital lock-up. Liquidity needs should reflect plausible stress scenarios and the timing of expected recoveries from the insolvency estate.

On **hybrid model design, views converge around keeping the ex-ante portion modest, risk-sensitive only where clearly beneficial, and proportionate to potential liabilities**. Some support guideline target levels, while others oppose fixed EU-wide thresholds. Many favour simple contribution bases (GWP or technical provisions), optionally combined with light risk factors. Hybrid models are seen as offering immediate liquidity and mitigating moral hazard, provided they avoid excessive accumulation and respect national discretion.

SECTION 4: INTERACTION BETWEEN HARMONIZED IGS AND THE IRRD

5.1 In addressing the topic of the interaction of IGS with the IRRD poses there is a challenge in terms of the timing of the Advice and the IRRD's transposition and implementation. The IRRD will apply from 30 January 2027 and is therefore still being implemented in the Member States. As the IRRD is based on minimum harmonization, there is a number of topics, including with regard to its financing aspects, that are not clearly worked out yet in all the Member States. Particularly impactful in this regard are the choices to be made with regard to the the institutional design of the national resolution authorities (NRAs) and the financing arrangements required under the IRRD. In addition, it is possible that, as part of this process, adjustments to existing IGSs are already being considered or introduced.

5.2 Considering this developing context, the description of existing situations may be subject to change which cannot be reflected at this time, and the impact assessment may in part rely on a current situation that has already changed or may change in the near future.

EXTRACT FROM THE CALL FOR ADVICE

5.3 Considering that IRRD entered into force on 28 January 2025 and will apply as of 30 January 2027, EIOPA is requested to provide advice on the expected interaction between IRRD and potential minimum common standards for IGS in the EU, in particular regarding the institutional setup of national resolution authorities and IGS, the different functions of IGS, the manner in which IGS would share losses in resolution, and the IRRD requirement to establish financing arrangements.

RELEVANT IRRD-PROVISIONS, PREVIOUS EIOPA ADVICE, AND REGULATORY BACKGROUND

Relevant legal provisions

5.4 There are multiple areas of the IRRD where there is explicit or implicit interaction with IGS. Important aspects in this regard include:

- Notion that the valuation on which the assessment of the 'no creditor worse off' (NCWOL) principle is based, should include any payment that policyholders, beneficiaries and injured parties would have received under normal insolvency proceedings from an IGS (recital 40 IRRD).
- Notion that national IGS should coexist with the recovery and resolution framework, regardless of the source of financing of the national IGS. The use of resolution tools and powers to an insurance or reinsurance undertaking should not prevent policy holders, beneficiaries and other claimants from being compensated through these national IGS (recital 86 IRRD).
- Requirement to designate NRAs with clear powers and responsibilities (Art. 3 IRRD). IGS may play an operational role in resolution, for example by acting as a bridge undertaking.
- The requirement to take into account the availability of IGS in the resolution planning stage (Art. 9 IRRD).
- Different resolution tools, such as the solvent run-off, the sale-of-business and bridge undertaking (Art. 26-41 IRRD) for which external funding from IGS or resolution financing arrangements might be required.
- Requirement for Member States to establish financing arrangements to ensure the effective application and exercise of resolution tools and powers by the resolution authority. NRAs should have access to adequate financial resources to compensate for NCWO-breaches and potentially to cover costs associated with the application of resolution tools (Art. 81 IRRD).

Previous EIOPA advice

5.5 In EIOPA's 2020 Opinion on IGS, the need for alignment between the functions of IGS and the objectives of the resolution frameworks was highlighted.

5.6 In 2019 and 2021 EIOPA published reports on the failures and near misses that have taken place since EIOPA started recording in 1999. In these reports the importance of timely funding to ensure continuity of insurance coverage has been emphasized, advocating for IGS to go beyond the function of pure compensation (payout).

5.7 EIOPA's ongoing work on the implementation of the IRRD, also learns that clear arrangements on the role of and interaction with IGS in resolution is an important aspect in preparing for orderly resolution, especially with regard to planning the financing of the foreseen resolution strategy.

Other regulatory background

International guidance

5.8 In 2023 the IAIS published an Issues Paper on the roles and functioning of policyholder protection schemes (PPS),[79] specifically going into the several ways PPS can support the application of resolution tools and powers, with a focus on the continuation of policies. PPS is synonomous for IGS. The paper indicated that PPS play a complementary but distinct role within an insurer's resolution framework. Their core function in resolution is to protect policyholders when an insurer is no longer viable. PPSs may support resolution by paying claims directly, taking over claims handling, facilitating a solvent or insolvent run-off, or supporting transfers through bridge institutions. In some jurisdictions, they may also provide limited cash injections to enable a sale or restart, but always within a mandate focused on policyholder protection rather than restoring insurer viability. PPS intervention is typically triggered in insolvency or resolution, and only exceptionally in recovery. The IAIS highlights where a jurisdiction has both a PPS and a resolution fund, the legal framework should be clear about the scope, limits and purposes of each type of fund, the circumstances in which they can be used, any hierarchy between them (e.g. which fund should be used first) and any limits to the amounts that may be paid. Coordination is essential, but mandates must remain distinct to preserve accountability and avoid cross-subsidisation.

5.9 The FSB Practices Paper from 2022 on resolution funding for insurers[80] highlights that effective insurance resolution requires reliable funding sources beyond the failing insurer's internal resources. IGS are a key external mechanism used in many jurisdictions. IGSs can support not only policyholder compensation in liquidation but also common resolution actions such as portfolio transfers and run-offs, providing liquidity to maintain continuity of cover. When the failing insurer is a contributor to an IGS, these schemes are often the first external source of funding, with standalone resolution funds accessed only afterwards. Standalone resolution funds, usually financed on an ex-post basis, serve broader resolution objectives: stabilising critical insurers, supporting operational continuity, and enabling resolution actions that go beyond direct policyholder protection. Ex-ante funding can impose significant opportunity costs on the industry, so for their resolution funds, many jurisdictions avoid pre-funding and instead rely on post-event

[79] International Association for Insurance Supervisors (IAIS), Issues Paper on roles and functioning of policyholder protection schemes (PPSs)
[80] Financial Stability Board (FSB), Practices Paper on Resolution Funding for Insurers.

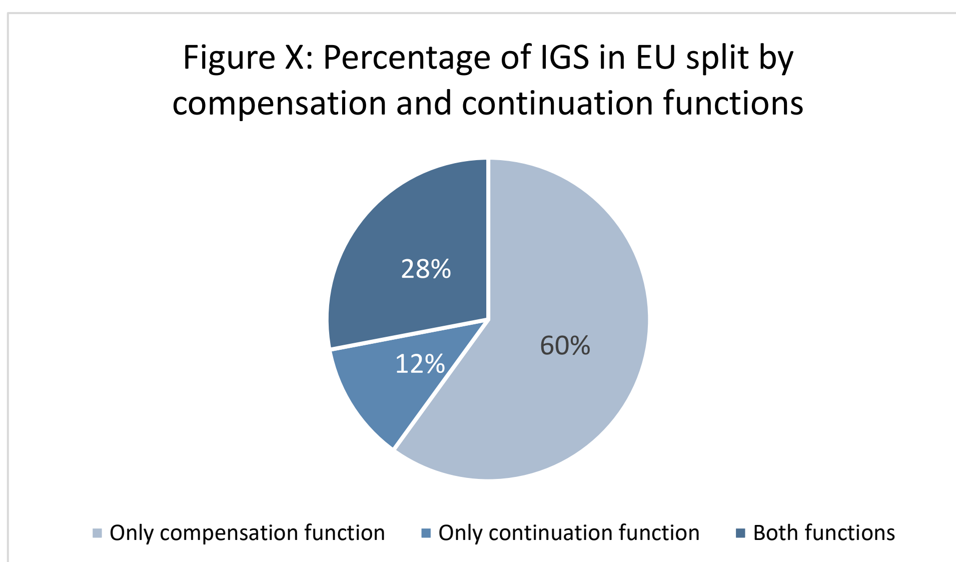
levies or temporary borrowing arrangements. Where both an IGS and a resolution fund exist, the institutional framework must clearly define their mandates, usage hierarchy, and limits, ensuring that IGS resources are not diverted to purposes inconsistent with their policyholder-protection role. The paper stresses the importance of coordination mechanisms between IGSs, resolution funds, and authorities, supported by clear legal powers, transparent triggers for accessing each fund, and arrangements for temporary funding and ex-post recovery to ensure orderly and timely resolution.

Status quo in Member States

5.10 Across Member States, IGS vary significantly in their institutional set-up. They could inter alia take the form of independent public or private bodies, integrated functions within the supervisory authority or resolution authority or industry run schemes. After the introduction of the IRRD, variations in governance structures, mandates and decision-making processes across Member States may have practical implications for the operationalisation of certain resolution strategies. This could especially be the case for failures involving cross-border groups with different national IGS participating and in cases where the IGS is run independently from the NRA.

5.11 The current landscape is fragmented with national IGS varying widely in their scope and functioning. Some Member States have multiple IGS covering different policies, while others have one IGS covering multiple types of policies. Also in their functioning there are significant differences between existing IGS in the EU. Some perform an active role in the continuation of policies, sometimes by acting as a bridge or funding a solvent run-off, while others just perform a pay-out function to compensate after liquidation.

5.12 The implementation of the IRRD will result in changes to the existing national frameworks for resolution and insolvency proceedings of insurers, for example due to the establishment of financing arrangements or regarding the use of IGS. Dependent on the national framework, IGS can perform different functions, requiring a more active or passive role in the processes of resolution and/or insolvency. The nature of the IGS involvement is also contingent on whether it is able to support the continuation of policies or it is limited to paying compensation (payout) to policyholders after failure. Figure X shows the number of IGS that have a compensation or continuation function or a combination of both.

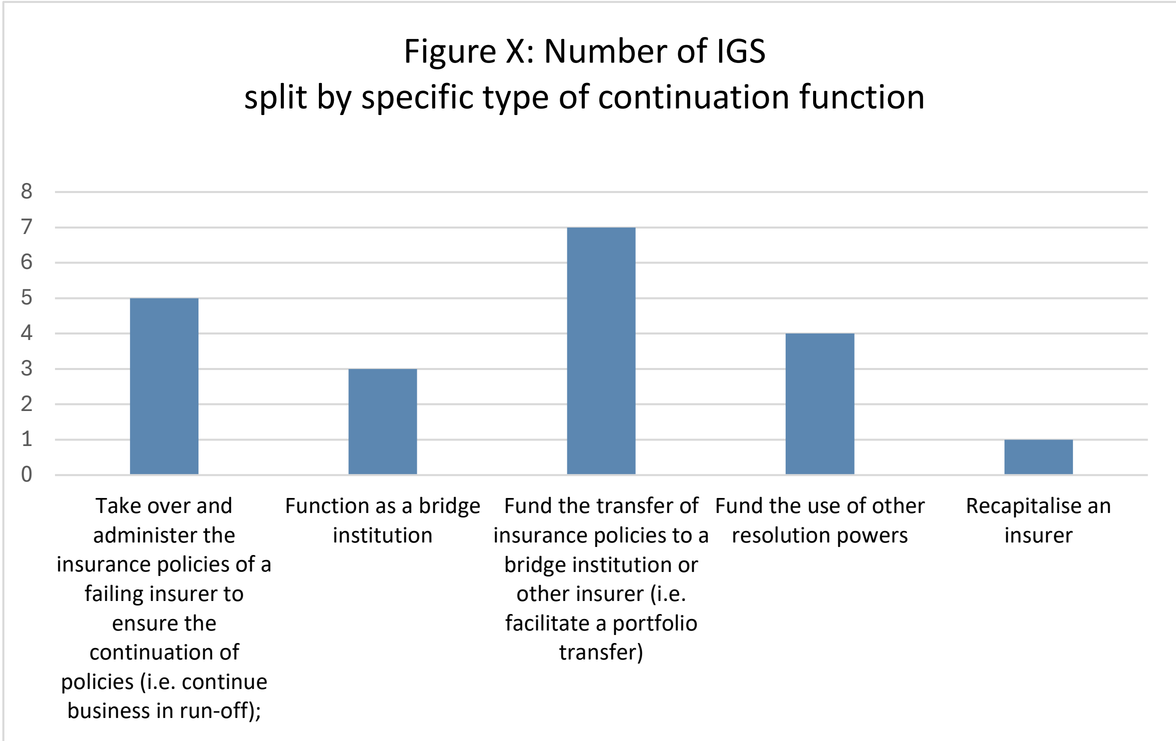


5.13 The nature of the continuation affects how active or passive the role of the IGS can be. For example, in some Member States the IGS itself can act as a bridge undertaking to either transfer the portfolio at a later stage or to manage its run-off, when no appropriate buyer can be found. In other cases, the IGS would just provide the funding to facilitate the transfer to a bridge undertaking or to finance the solvent run-off. Table X provides anoverview of functions (categorized from most passive to most active in terms of the associated role).

Table X: General functions and roles of IGS

Passive	**Active**	**Most active**
Compensation	*Financing a continuation*	*Financing and managing continuation*
Pay-out to policyholders after failure	Funding a portfolio transfer to a buying entity	Acting as bridge undertaking
	Funding a transfer to a bridge undertaking	Manage portfolio in solvent run-off

5.14 Figure X shows the specific types of continuation functions that currently existing IGS in the EU perform.



5.15 The degree of involvement, as described, impacts the natural compatibility with the practices established by the IRRD. The IRRD allows for the specific use of IGS in resolution (see paragraphs

on relevant IRRD-provisions). In accordance with the IRRD, the availability of IGS should also be considered when determining the public interest of applying resolution tools to a specific undertaking, in comparison to the scenario of the winding-up of the undertaking under normal insolvency proceedings. It is an important feature, because the successful application of a resolution strategy depends to a large extent on the availability of funding.

5.16 One of the ways to ensure funding is the establishment of financing arrangements, which besides the compensation of claims resulting from a breach of the NCWOL-principle, could also be used to cover costs associated with the use of resolution tools.[81] Such a set-up would allow the establishment of a so-called resolution fund that could finance, for example, a portfolio transfer, a bridge undertaking or a solvent run-off. Depending on the specific choices made, this could include a protection of policyholders in the allocation of losses, similar to the functionality of an IGS. In cases where there is already an IGS available with such capabilities, the financing arrangements could be limited in their role, while in cases where an IGS is statutory limited and bound to strict rules of engagement, the establishment of a parallel financing arrangement for the purposes of resolution funding could be a pragmatic outcome.

Identification of the issues

5.17 Given the different ways the IRRD can be implemented with respect to some of its key aspects and considering that some Member States do have IGS in place already and others have not, it is likely the involvement and subsequent governance of IGS in resolution will differ widely. Against this background, both opportunities as well as challenges arise with regard to the allocation and distinctions of roles and responsibilities between these functions, both in resolution planning and in a case of failure. Operational problems can occur if the governance of NRAs and IGS is not sufficiently managed, as it is important that the IGS and the NRAs are aware of each other’s role and communicate and coordinate effectively where necessary.

5.18 The interaction between the IRRD and harmonized IGS variants raises several structural and operational issues, in particular with regard to the institutional setup of national resolution authorities and IGS, the different functions of IGS, the manner in which IGS would share losses in resolution and the IRRD requirement to establish financing arrangements, as particularly mentioned in the Call for Advice. Given the relatively large discretionary window left by the IRRD to Member States with regard to the approach to resolution funding (though different functions and roles of IGS, the set-up financing arrangements and institutional set-up) it seems there are two issues that should be addressed in the analysis of the topic and under which the four items specifically mentioned in the Call for Advice may be subsumed:

- the involvement of IGS in funding and application of resolution and insolvency proceedings; and
- the levels of coordination and cooperation between NRAs and IGS.

[81] See also recital 48 IRRD which indicates the following: ‘*Member States should be able to decide that financing arrangements could be used to absorb losses of policy holders, beneficiaries and claimants. […] Member States should be given some flexibility in relation to the precise arrangements of external financing as long as the availability of sufficient liquidity to guarantee compensation within a reasonable timeframe is ensured*.’

5.19 The different functions of IGS, the manner in which IGS would share losses in resolution, and the IRRD requirement to establish financing arrangements in essence concern the degree of IGS involvement in funding and application of resolution and insolvency proceedings. The functions of IGS define their role in failure (compensation, support of transfer, managing portfolios). How IGS take part in loss-sharing determines how IGS resources are deployed in the application of resolution tools and how their contributions interact with creditors and policyholders. The scope of the IRRD's financing arrangements is to a large extent determined by whether and how the IGS is used. Together, these elements describe the involvement of IGSs during a failure.

5.20 The institutional setup of NRAs and IGS is an important topic with many varieties of potential implementations under the IRRD, but ultimately boils down to the level of coordination and cooperation required for effective crisis management and how it is safeguarded. Institutional set-up determines how information flows are governed, to what extent IGS are involved in resolution planning, how IGS is triggered and the IGS' ability to act swiftly and consistently with the NRA's chosen strategy. It shapes whether IGS participation is timely, predictable, and aligned with resolution objectives.

INVOLVEMENT OF IGS IN RESOLUTION: INCONSISTENCIES WITH INSOLVENCY PROCEEDINGS

5.21 The absence of harmonized IGS-functions and a fragmented implementation of the IRRD's financing arrangements requirement across Member States creates a real risk of divergent outcomes when insurers fail. In jurisdictions where today the IGS or financing arrangement can support portfolio transfers, policyholders may experience seamless continuity of coverage, which is consistent with the IRRD's objectives. In contrast, in Member States whose current IGS are limited to payouts, it could be more challenging to reach the resolution objectives, most primarily the objective of policyholder protection. Such discrepancies undermine the level playing field within the internal market and may distort competition, as policyholders in different Member States receive different levels of protection for similar failures. Differences may also arise within the same Member State. In particular, where the IGS covers only insurers authorised in that Member State, policyholders of insurers operating under FoS and/or FoE may fall outside the scope of the IGS, resulting in different levels of protection for policyholders in the same Member State. Greater alignment of IGS capabilities would help ensure that resolution authorities can apply IRRD tools consistently, reducing fragmentation and strengthening confidence in the established safety net. This would be in line with EIOPA's previous advice in which it indicated preference for a requirement for IGS to possess both the compensation and continuation functions, in order to serve the primary aim to protect policyholders.[82]

5.22 The ability of an IGS to support resolution measures significantly depends on its mandate and subsequent design. Schemes that are structured solely around payout functions may not possess the technical expertise, governance frameworks, or legal authority required to actively participate in the execution and governance of applying resolution tools, such as portfolio transfers or the set-up of a bridge undertaking. However, they could also take on a more passive role, which would be focused on providing the required funding, but leaving the management to the NRA. Active participation in the application of resolution actions would demand close coordination with NRAs

[82] EIOPA Opinion 2020.

and the ability to mobilize resources quickly. Enhancing operational readiness, through expanded mandates, clearer legal powers, and investment in specialized skill, would allow IGSs to play a more pro-active and supportive role in achieving orderly resolution. An overview of the potential functions and roles of IGS in the context of resolution is included in the table below.

Tool and/or action	Main IRRD-provision	Function/role of IGS
Sale-of-business (portfolio transfer to buying entity)	Art. 31	Continuation of policies, by funding portfolio transfer
Bridge undertaking (portfolio transfer)	Art. 34	Continuation of policies, by funding bridge undertaking, managing solvent run-off by taking over portfolio
Solvent run-off	Art. 27	Continuation of policies, by funding run-off, managing solvent run-off by taking over portfolio
Write-down and conversion tool (optionally in combination with an open insurer bail-in)	Art. 35	Dependent on maximum covered percentage of contract, compensation of policyholder for portion of contract written-off
Winding-up under normal insolvency proceedings of residual undertaking/entity	Art. 26(4)	Compensation for losses incurred in the liquidation of insurance contracts.

5.23 Beyond the funding and application of resolution tools, IGS can also be involved in the planning and preparation for resolution. Based on hands-on experience with insurance failures, IGS are often well placed to understand the key operational issues with regard to the management of such a failure. For example, IGS can complement resolution planning by providing operational insight into payout processes, data needs, beneficiary identification and practical constraints. This expertise could be deployed regardless of the specific role, for example, by advising the NRA.

5.24 Considering the fragmented landscape of potential set-ups of IGS and financing arrangements, a key issue to consider in the context of harmonization efforts, is to address the potential discrepancy in funding availability between resolution and normal insolvency proceedings. Such a discrepancy would impact the public interest assessment (PIA) which is determinative for the decision whether to apply resolution or to wind-up up the undertaking in normal insolvency proceedings, as for the purposes of the PIA NRAs are required, in accordance with Art. 19(5) IRRD, to take into account the availability of IGS in normal insolvency proceedings.

5.25 One way to address this, it the IRRD's safeguard of the 'no creditor worse off' principle, on which basis policyholders are compensated, in case they are financially worse off in resolution than in normal insolvency proceedings. However, the described funding discrepancy could lead to a

significant expected NCWOL-breach when performing the PIA. Even though this would not necessarily prevent resolution authorities from applying resolution, it would raise the bar for resolution authorities to demonstrate that applying resolution is still proportionate to achieve the resolution objectives considering the foreseen NCWOL-breach. Operational and legal issues may arise, such as with regard to differences between IGS-coverage and the scope of the resolution strategy, which may be broader for the concerned NRA, potentially leading to a different treatment of certain policyholders in a resolution case. Even though NCWOL-breaches will be compensated through the financing arrangements, it might take considerable time before the exact amount of such claims are established and paid. Because of this, policyholders may face substantial financial or social hardship.

5.26 Even though there is always the safeguard to receive NCWOL-compensation (Art. 81 IRRD) after the application of resolution, legal and operational risks arise when pursuing a resolution strategy in cases where there is significantly more funding available through the IGS in normal insolvency proceedings than in resolution. In such cases. , when performing the (PIA), the discrepancy in funding availability would lead to a significant expected breach of the NCWOL-principle, thereby raising the bar to still justify a decision to apply resolution. Especially in situations with a difference in the scope of IGS (eligible policies) compared to the scope of the resolution strategy, complexities can arise in how to deal with the rights of different groups of policyholders. Having no funding available already in resolution to prevent or offset the haircut applied to the insurance liability in resolution, might expose policyholders to considerable financial or social hardship.

LEVELS OF COORDINATION AND COOPERATION BETWEEN NRAS AND IGS

5.27 The IRRD requires every Member State to designate a NRA for insurers, but it does not harmonize the institutional design of IGS. As a result, several institutional configurations are possible. These arrangements shape how effectively NRAs and IGSs cooperate during resolution, how quickly an IGS can act to protect policyholders, and how predictable the framework is for cross-border groups.

5.28 NRAs and IGSs pursue the common objectives of protecting policyholders, but they do so under different mandates and constraints. NRAs must balance policyholder protection with other equally binding resolution objectives, such as maintaining financial stability, safeguarding public funds, and preserving critical functions. Because these objectives carry the same weight, NRAs may choose to deploy resolution tools, like portfolio transfer, the use of bridge undertakings, or placing an insurer into solvent run-off, that may not always maximize the immediate outcomes for policyholders but are focused one achieving all four resolution objectives. IGS, by contrast, focus solely and directly on policyholder protection, either by supporting continuity of insurance contracts or compensating policyholders directly when continuity is not feasible. In a case of resolution, the NRA ultimately decides how to weigh the different resolution objectives, with the IGS following that decision.

5.29 Effective intervention requires close coordination between NRAs and IGSs, especially when they operate as separate bodies with different governance structures and fall under the supervisory oversight of different authorities. For instance, where the IGS has its own governance and funding decision procedures, the mobilization of financial resources may require internal approvals that are separate from those of the resolution authority. By contrast, where the IGS-function is integrated within the NCA or NRA coordination may be more streamlined. These

structural differences can therefore affect timing, sequencing of decisions, and the predictability of funding availability (elements that are particularly relevant in a resolution context, which typically requires swift and coordinated action).

5.30 Resolution planning depends on understanding whether and how an IGS or resolution financing arrangement can support resolution, with an inherent focus on the continuation of insurance contracts, including its funding capacity, speed of mobilisation, and operational limitations. NRAs need insight into the IGS' or resolution financing arrangement's resources and payout capabilities, while IGSs require information on the insurer's condition, potential resolution strategies, and expected financial needs. A clear understanding of the operational aspects of the IGS is also important, as this impacts how swiftly and effectively the resolution strategy can be applied.[83]

5.31 The IRRD allows Member States to use shared administrative structures for IGSs and resolution financing arrangements. It fosters synergies by taking away the need for a separate establishment of a structure for the resolution financing arrangement, and enables a more effective cooperation and coordination during resolution, including easier access to required funding, provided the governance set-up includes clearly defined roles and responsibilities. Such alignment is particularly valuable where IGS perform an active role in the application of resolution tools.

5.32 Regardless of the application of resolution in accordance with the IRRD, most IGS have been created in a time without the existence of full-fledged recovery and resolution frameworks, such as the IRRD. These IGS work in a context of specific national insolvency frameworks, with different needs and arrangements. Some of these frameworks include the possibility for IGS to facilitate a continuation of policies, where others are focussed on compensating policyholders after an insurance failure, often by subrogating policyholders to ensure a swift pay-out so policyholders can find replacement coverage. In cases where the IGS also facilitates or even manages the continuation of policies, such as portfolio transfers or even bridge undertakings, the differences with a case of resolution dilute. However, key differences include the possibility and principles of applying the write-down and conversion tool in resolution and also the trigger for IGS-use.[84]

5.33 The box below, about the German IGS for life insurance, illustrates an example of an existing IGS that is focussed on playing an active role in the management of a failure, being able to both fund and manage the continuity of policies. This can be done both in a context of normal insolvency proceedings as well as a case of resolution.

Case study: IGS in Germany[85]

Institutional set-up

The IGS for life insurers (IGS) is a special fund of the Federal Government created by law. The IGS is not an insurer and therefore, is not required to meet any regulatory capital requirements. The IGS is under the remit of the National Resolution Authority (NRA). However, the operational tasks

[83] For a detailed analysis of the operational aspects of IGS see Chapter 2.

[84] For more information on the differences in triggers for IGS see also Chapter 2 on operational functioning.

[85] This box describes the status pursuant the national implementation act for the IRRD which, at the time of writing, still has to be approved by the German Parliament.

and powers of the IGS have been transferred by the German Ministry of Finance to the private company Protektor.

Objective / Purpose

The primary objective is to protect the claims of policyholders, insured persons, beneficiaries and other persons benefiting from the insurance contract, by continuing the insurance contracts.

Conditions for the use of the IGS

The conditions for the use of the IGS are determined by the NRA. This appears appropriate as the conditions for the use of the IGS are aligned or interlinked to the resolution conditions. Thus, the concentration of decision-making at the NRA increases the speed of decision-making and avoids duplication of efforts as well as discrepancies in assessments and valuations.

There are four cumulative basic conditions for the use of the IGS:

1. failing or likely to fail due to (impending) insolvency or (impending) over-indebtedness

2. no alternative private sector measures or supervisory action;

3. available funds appear sufficient to achieve the purpose of its use[86];

4. use of the IGS is necessary to achieve the purpose of its use.

Use of the IGS

Transfer (in non-resolution cases): The IGS enters into all insurance contracts by operation of law and becomes the new contractual counterparty to the policyholders without their consent being required. All rights and obligations transfer in full to the IGS. After completion of the transfer, the IGS continues administering the portfolio. The IGS will try to sell and transfer the portfolio to an insurer or run-off platform.

Supporting private sale (in non-resolution cases): The IGS may be ordered to provide funds to support a private sale of shares, assets, rights or liabilities of a distressed insurer. Funds would be provided only to balance a deficit of insurance policy claims over the covering assets and only if the IGS thereby incurs less costs than under the transfer strategy.

Bridge undertaking / resolution financing in resolution: The IGS may be used as a bridge undertaking in resolution (Article 34 IRRD). However, the funds of the IGS may be used in resolution also to support the application of other resolution tools (by providing funds to strengthen covering assets in the meaning of Article 275(1) point (a) of the S-II-Directive).

Two sources of funding for the IGS

Assets of the distressed insurance undertaking: The NRA will also order the transfer of the assets of the insurance undertaking which can then be used by the IGS to satisfy insurance policy claims of the portfolio that has been transferred.

Contribution from insurance undertakings being members of the IGS: The IGS funds consist of both ex ante (annual contributions) and ex post funds (special contributions if this is necessary for the performance of its tasks). The ex ante funds have already been fully built up.

5.34 In any case, gaps remain in the status quo. Funding models differ widely across Member States, creating uncertainty for cross-border resolution planning. Some IGS are not empowered to actively

[86] This is important for the decision whether to use the IGS or to take resolution actions: If the funds appear sufficient, the NRA will consider this in its public interest assessment and refrain from resolution (Article 19(5) of the IRRD). If the funds appear insufficient, resolution could be an option.

support resolution actions, limiting their ability to take over policies, act as bridge undertakings, or facilitate portfolio transfers. Even when funding is possible, governance processes may delay IGS intervention, while NRAs must act immediately once an insurer is deemed failing or likely to fail. These differences can hinder timely, coordinated action and reduce the effectiveness of policyholder protection across the EU.

Policy options

Policy issue	Options
1. Involvement of IGS in funding and application of resolution and insolvency proceedings	1.1 Maintaining the status quo: the degree of involvement of IGS in resolution chosen by Member States should not be conditioned. 1.2 Requirement to ensure at least advance payment for the benefit of eligible policyholders in resolution to ensure swift compensation for losses incurred. 1.3 Fully functional IGS and/or resolution financing arrangement in the application of resolution.
2. Institutional set-up and arrangements and levels of coordination and cooperation	2.1 Maintaining status quo: flexibility on set-up with no specific requirements on cooperation arrangements. 2.2 Flexibility on set-up, with specific requirement on formal cooperation arrangements between IGS and NRA. 2.3 Closely integrated set-up of both NRAs and IGS.

Policy issue 1: Involvement of IGS in funding and application of resolution and insolvency proceedings

5.35 **Option 1: Maintaining the status quo: the degree of involvement of IGS in resolution chosen by Member States should not be conditioned.** No changes are made to the current situation, the IRRD-provisions and national law determine how IGS can be used in resolution with no further harmonized requirements at EU-level. This option would be in line with the current provisions of the IRRD but bears the risk of insufficient funding capabilities in resolution. This could happen if the scope and functioning of IGS is limited to pay-out in normal insolvency proceedings and the financing arrangement is limited to the compensation of breaches of the NCWOL-principle and some operational costs associated with the application of resolution, as determined by each Member State. The result would be that the public interest assessment could get distorted, as resolution measures could in such a case potentially lack sufficient funding, compared to winding-up the undertaking under normal insolvency proceedings, considering that only then IGS-funds would be available.[87] On the other hand, under the status quo, Member States can keep in place the established practices in case of normal insolvency proceedings, tailoring the financing

[87] See Art. 19(5) of IRRD.

arrangements to the needs in resolution, in line with the current provisions of the IRRD. However, having in place only an IGS limited to a pay-out function in combination with a financing arrangement limited to the payment of NCWOL-claims could increase the likelihood of a NCWOL-breach, meaning funding needs of the financing arrangements would increase in parallel, leading to the existence of two separate funds (IGS and financing arrangement) requiring significant funding. This would mostly increase the operational costs associated with the two funds, as parallel levies and funds need to be managed. The overall funding needs would not necessarily increase, as these would now be more equally distributed over the two funds, with the IGS only used in insolvency proceedings and the financing arrangement only after or during a case of resolution.

5.36 **Option 2: Requirement to ensure at least advance payment for the benefit of eligible policyholders in resolution to ensure swift compensation for losses incurred.** This option introduces a requirement that, when significant NCWOL-risks are foreseeable at the resolution decision, Member States should ensure that the IGS or the resolution financing arrangement can make advance payments to eligible policyholders already during resolution, rather than only afterwards. This would apply where the continuation of policies in resolution cannot be funded to the extent the IGS would have compensated in normal insolvency proceedings. The rationale for this option stems from the potential discrepancy in funding availability between resolution and normal insolvency proceedings, which could influence the PIA. Where funding in resolution is significantly less available, the PIA may reveal a substantial expected NCWOL-breach for policyholders. Although such a breach does not legally preclude resolution, it raises the bar for NRAs to demonstrate that resolution remains proportionate and aligned with the resolution objectives. Even though NCWOL-compensation would eventually be paid, determining and settling claims can take time, during which policyholders may face financial or social hardship. Allowing advance payments would reduce these risks, mitigating the impact on the PIA, as policyholder protection within resolution is strengthened further.

5.37 **Option 3: Fully functional IGS and/or resolution financing arrangement in the application of resolution.** This option constitutes a requirement for Member States to ensure that the IGS or the resolution financing arrangements are fully functional within resolution. It means that the IGS or resolution financing arrangement would need to be fully capable of supporting the continuation of policies, by funding the resolution tools and/or performing an active operational role in the application of the resolution tools, by acting as a bridge undertaking or managing a solvent run-off. In this way it is safeguarded that sufficient resolution funding is available to reach the resolution objectives. It also fosters the continuation principle that is embedded in the resolution framework and is a key part of EIOPA's 2022 Opinion. In this case, IGS and resolution financing arrangements could also work complementary, for example, to allow the IGS to provide liquidity to the resolution financing arrangement. Such a cooperation should be subject to appropriate safeguards to avoid duplication and ensure a clear allocation of roles. An integrated mechanism would allow resolution authorities to make effectively use of both IGS for the protection of policyholders and resolution financing arrangements based on the required scope of funding and the resolution strategy (including specific tools) selected with limited statutory and conditional restrictions to ensure the resolution objectives are effectively reached. In practice, this would mean the NRA could make use of both the funds in the IGS and the financing arrangements, ensuring sufficient funding to reach the resolution objectives.

Impact of the policy options

Policy issue 1: Involvement of IGS in funding and application of resolution and insolvency proceedings		
Option 1: Maintaining the status quo: the degree of involvement of IGS in resolution chosen by Member States should not be conditioned.		
Costs	Policyholders	Protection in resolution is weaker in cases where IGS funding is limited to pay-outs in normal insolvency proceedings. Even though Member States must establish IRRD-compliant financing arrangements, these may be minimal and prove to be insufficient to ensure continuity of cover or effective resolution outcomes. Furthermore, such a continuation needs to be preceded by an application of the write-down and conversion tool, which considering the structure of most insurer's balance sheets, would require the write-down of policyholders to a certain degree as well.
	Insurance and reinsurance undertakings	Insurers face uncertainty from divergent national approaches which may vary widely in size, scope, and levy triggers. This creates unpredictability around extraordinary contributions and complicates planning, especially for cross-border groups.
	Supervisory and resolution authorities	Authorities must set up financing arrangements under the IRRD but may still lack sufficient resources to support effective resolution tools if IGS cannot intervene in resolution. The discrepancy between available funding in resolution and insolvency impacts the PIA, as it raises the bar for authorities to opt for resolution, given that availability of funding to protect policyholders is stronger in normal insolvency proceedings.
	Other	Cross-border groups face inconsistent treatment because funding differs across Member States. Limited funding capabilities may undermine market confidence and create competitive distortions, especially where national arrangements remain narrow or under-resourced.
Benefits	Policyholders	Existing protection in normal insolvency proceedings remains unchanged and predictable. Resolution financing arrangements provide at least NCWOL-compensation, although not equivalent to IGS-support in terms of rapid availability of funding to make an advance payment to policyholders or the capability to support a continuation in resolution.
	Insurance and reinsurance undertakings	Insurers are not subject to redesigned IGS-framework or newly defined levies. Resolution financing arrangements can be designed narrowly, limiting additional burdens while still meeting minimum EU-requirements for resolution funding.
	Supervisory and resolution authorities	Authorities can rely on resolution financing arrangements to cover certain resolution costs, even if limited. They avoid the need to integrate IGS and resolution funding, maintaining familiar structures and minimizing implementation complexity.
	Other	Member States retain full flexibility in designing both IGS and financing arrangements. They can comply with minimum EU-requirements without major restructuring, avoiding transition costs and preserving national discretion in failure-management approaches.
Option 2: At least advance payment of eligible policyholders in resolution to ensure swift compensation for losses incurred.		
Costs	Policyholders	Policyholders may experience transitional uncertainty as Member States adjust their frameworks, while short-term premium increases could arise if

		levies are raised to ensure adequate funding for both insolvency and resolution scenarios. They may also face additional administrative steps linked to verifying eligibility for advance payments after the second valuation, and expectations may remain uneven across borders if national implementation diverges.
	Insurance and reinsurance undertakings	Undertakings may face higher or more frequent contributions to ensure adequate funding for both insolvency and resolution, alongside the need to adapt to new national arrangements, reporting requirements, and operational processes linked to advance-payment mechanisms. Liquidity-planning obligations may increase, as advance payments accelerate cash outflows from IGS or financing arrangements, and competitive distortions may arise if Member States adopt different funding models.
	Supervisory and resolution authorities	Authorities will face increased planning, oversight, and operational complexity as advance-payment triggers must be integrated into resolution planning and valuation processes. They will need to coordinate more closely with IGS to ensure readiness for rapid payouts, allocate additional resources to monitor funding sufficiency and NCWOL-risk mitigation, and update resolution plans and internal procedures to reflect the new requirements.
	Other	IGS and other market participants may face continued heterogeneity across Member States due to national discretion, while IGS may need to upgrade operational capabilities to process advance payments swiftly. Cross-border groups may encounter complexity in aligning group-wide failure-management planning with divergent national rules, and short-term volatility in levy calls may occur as funding models adjust.
Benefits	Policyholders	Policyholders benefit from more consistent protection across failure scenarios, ensuring they receive the same swift pay-out in resolution as in insolvency, avoiding long NCWOL-compensation delays. It also enables policyholders to find replacement coverage more quickly.
	Insurance and reinsurance undertakings	Undertakings gain a more predictable failure-management environment, reducing the risk of disorderly resolution and lowering the likelihood of ex-post NCWOL claims that could otherwise lead to additional levies. Cross-border coordination improves due to clearer expectations on policyholder treatment, and market confidence in the sector's ability to handle failures without disorderly outcomes is strengthened.
	Supervisory and resolution authorities	Authorities benefit from greater flexibility to apply effective resolution tools without funding constraints, while NCWOL-breach- is addressed during resolution rather than after. Public-interest assessments become more credible, as strengthened policyholder protection reduces the potential bias towardnormal insolvency proceedings, and fund management becomes more efficient as advance payments pre-emptively mitigate compensation needs.
	Other	Other stakeholders benefit from a more level playing field across the internal market, with reduced competitive distortions linked to divergent policyholder outcomes. Predictability improves for investors and creditors due to clearer NCWOL-risk management, and trust in IGS and resolution financing arrangements as credible backstops is enhanced.
Option 3: Fully functional IGS and/or resolution financing arrangement in the application of resolution.		
Costs	Policyholders	Policyholders may face short-term premium increases if levies rise to build or integrate fully functional mechanisms, and transitional uncertainty may arise as national IGS are redesigned or integrated with resolution financing

		arrangements. They may also encounter complexity in understanding how integrated mechanisms operate during resolution.
	Insurance and reinsurance undertakings	Undertakings may face higher contributions and more complex compliance requirements to support a unified mechanism capable of funding resolution tools. They will need to adapt internal systems and processes to interact with a fully functional IGS and/or resolution financing arrangement, manage potential liquidity strain if levies are front-loaded to build robust funds, and respond to increased scrutiny of funding preparedness.
	Supervisory and resolution authorities	Authorities face significant implementation, coordination, and oversight burdens to design and supervise a comprehensive mechanism. They must develop operational frameworks for IGS-involvement regarding resolution tools such as bridge undertakings or solvent run-off, meet higher expectations for cross-border cooperation and harmonisation, and allocate additional resources for testing, simulations, and operational readiness assessments.
	Other	Other stakeholders may face complexity if integrated mechanisms interact differently with existing national IGS structures, while IGS may need to significantly expand operational capabilities, potentially including acting as a bridge undertaking. Risks of duplication may arise if safeguards and role allocations are not clearly defined, and transitional costs may be incurred to align national IGS with EU-wide expectations.
Benefits	Policyholders	Policyholders gain strong assurance that protection in resolution matches insolvency outcomes, reducing funding gaps and safeguarding continuity of cover. Policyholders of large insurers benefit more consistently, as IGS funds become available even in resolution scenarios where they previously might have been insufficient, and the risk of write-downs for these policyholders in resolution is significantly reduced.
	Insurance and reinsurance undertakings	Undertakings benefit from a harmonised and predictable environment that reduces the likelihood of ad-hoc levies, improves stability and cross-border consistency, and enhances resolvability by reducing uncertainty about funding availability. Market confidence in the sector's ability to manage large failures is strengthened.
	Supervisory and resolution authorities	Authorities gain reliable and flexible funding for resolution actions, enabling the application of tools without statutory or conditional restrictions. The approach aligns more strongly with the continuation principle and the objectives of the resolution framework, and allows resolution strategies to be tailored more effectively to the specific failure scenario.
	Other	Other stakeholders benefit from greater EU-wide consistency, reducing competitive distortions and improving the functioning of the internal market, as funding capabilities no longer influence the choice between insolvency and resolution. Clearer allocation of roles between IGS and resolution financing arrangements reduces duplication, and investor confidence is enhanced due to predictable and well-funded resolution frameworks.

Comparison of policy options

Involvement of IGS in funding and application of resolution and insolvency proceedings

	Effective and efficient policyholder protection	*Ensuring a level playing field*	*Improving transparency and better comparability*	*Simplifcation and burden reduction*
Option 1: Maintaining the status quo: the degree of involvement of IGS in resolution chosen by Member States should not be conditioned.	0	0	0	0
Option 2: At least advance payment of NCWOL-compensation to eligible policyholders to ensure swift payment.	+	+	+	-
Option 3: Fully functional IGS and/or resolution financing arrangement in the application of resolution.	++	++	++	--

Preferred policy option

5.38 Considering the ongoing implementation of the IRRD and the subsequently unclarity and diversity of the specific implications in Member States no preferred option is provided for this policy issue. Nonetheless, Member States should keep in mind the importance of sufficient funding in resolution and the ways IGS and resolution financing arrangements can be used for that. NRAs should be enabled to make a clear assessment of whether resolution is in the public interest, strong differences in the funding available in resolution compared to insolvency should in principle be prevented.

Policy issue 2: Institutional set-up and arrangements and levels of coordination and cooperation

5.39 Under the IRRD, various institutional set-ups are possible. The main configurations are a full institutional separation between the NRA and the IGS (see example of the set-up of a range of different IGS in France in box the below), integrated with NRA/NCA and an oversight relationship, with the IGS being formally independent, but with close ties with the NRA/NCA through direct oversight. These configurations logically also impact whether the IGS is a public or private entity. Also, the NRAs can be set up in different ways, such as by having a stand-alone authority or integrate it with other existing institutions (central banks, NCAs, NRAs). As the IRRD is currently being implemented, it is unclear what the overall picture will look like after the application of IRRD in 2027. With all the possible variations in institutional set-up and the inherent unclarity of the IRRD-implementation, the question arises how to ensure the effective cooperation and coordination between NRAs and IGS to reach the resolution objectives as effectively as possible, while maintaining well-functioning applications of IGS in insolvency.

Case study: IGS in France

Institutional set-up

The French insurance sector is characterised by a fragmented institutional framework composed of différent guarantee funds that could intervene in case of insurers' failure. Four schemes are currently operational:

- Fonds de garantie des assurances obligatoires de dommages (FGAO) - whose members are insurers covering compulsory motor liability and construction insurance;
- Fonds de garantie des assurances de personnes (FGAP) - covering life, health and personal injury insurance undertakings licenced under the French Insurance code;
- Fonds de garantie des dommages consécutifs à des actes de prévention, de diagnostic ou de soins (FAPDS) - composed of insurers covering medical liability risks;
- Fonds paritaire de garantie des institutions de prévoyance (FPGIP) - covering provident and supplementary retirement institutions.

These entities are generally structured as private-law legal persons, managed by representatives of the insurance sector, but subject to significant public oversight, including by the relevant ministries, and the presence of a government representative in the governance.

Objective / Purpose

The primary objective of French IGSs is to protect policyholders, beneficiaries, and, in certain cases, third-party victims in the event of insurer failure. This protection may take the form of compensation or the facilitation of portfolio transfers ensuring continuity of coverage.

Certain schemes also pursue broader public policy objectives. In particular, the FGAO compensates victims of damage caused by uninsured or unidentified parties, thereby combining insolvency protection with a social solidarity function. More broadly, these mechanisms aim to preserve confidence in the insurance system while limiting recourse to public funds.

Financing of IGSs

The financing of insurance guarantee schemes in France is industry-based and relies on a combination of ex ante and hybrid funding mechanisms. Contributions are typically levied on participating undertakings, with methodologies varying across schemes depending on the nature of the risks covered. These may include contributions based on premiums (notably for compulsory non-life insurance lines), on technical provisions (in the case of life insurance), or on fixed annual levies (for specific sectors such as medical liability). In addition to ex ante resources, several schemes rely on callable reserves held by member institutions and may, where necessary, raise additional contributions ex post or resort to borrowing arrangements to meet their obligations.

Conditions for the use of the IGS

The activation of guarantee schemes is generally conditional upon the failure of an insurance undertaking, typically materialised through the withdrawal of authorisation. They may also be mobilised in the context of supervisory or resolution measures, including compulsory portfolio transfers ordered by the Autorité de Contrôle Prudentielle et de Résolution (ACPR). In addition, where an insurer is subject to winding-up proceedings, the liquidator plays a central role in triggering the intervention of guarantee schemes, in particular by identifying eligible claims and formally requesting the mobilisation of the relevant fund on behalf of policyholders and beneficiaries.

Use of IGSs in France

When it comes to the their role in the event of insurer failure, the activation of insurance guarantee schemes in France remains limited. Only the FGAO has intervened in a small number of cases, including the failure of two small non-life undertakings and four insurers operating under the Freedom of services (FoS) regime, with portfolio transfers as the preferred measure. Since 2018, four additional FoS insolvencies have led to interventions of around EUR 50 million, with limited recovery prospects. Guarantee schemes are primarily used for indemnification (pay-out) rather than recovery or resolution financing.

5.40 **Option 1: Maintaining status quo: flexibility on set-up with no specific requirements on cooperation arrangements.** This option introduces a general requirement for Member States to ensure effective cooperation and coordination between IGS and national resolution authorities, including alignment of their respective financing arrangements. However, it leaves the specific design and institutional set-up entirely to national discretion. Member States would be free to determine how cooperation is organised, how information is shared, and how funding mechanisms interact in practice. The aim is to promote smoother crisis management while respecting existing national structures. The flexibility allows adaptation to local legal and institutional contexts but may result in continued divergence across the EU.

5.41 **Option 2: Flexibility on set-up, with specific requirement on formal cooperation arrangements between IGS and NRA.** This option requires Member States to establish formal cooperation arrangements between the IGS and the national resolution authority, including any associated financing arrangements. These arrangements could either be established through national law or through cooperation agreements, incl. memoranda of understanding, between the IGS and the NRAs and would clearly define roles, responsibilities, information-sharing processes, and the scope of each body's involvement in crisis management. By formalising cooperation, this option aims to reduce uncertainty, prevent overlaps or gaps in responsibilities, and ensure that both entities understand how they are expected to act during planning and resolution. While still allowing national variation, it introduces a minimum level of structure and predictability that strengthens preparedness and supports more coordinated interventions. As is the case with many aspects of harmonization, this option would have different implications for different Member States. Especially in cases where IGS are dormant, meaning they are not actively managed in going-concern, it is challenging to require formal cooperation, without changing the nature and governance of the IGS. It should also be noted that in Member States where multiple IGS coexist entering into formal agreements between NRAs, IGS and other competent authorities adds a level of complexity in the governance framework, which needs to be assessed on its proportionality.

5.42 **Option 3: Closely integrated set-up of both NRAs and IGS.** This option requires Member States to establish a more closely integrated set up of NRA and IGS.. Like Policy Option 2, it would involve an institutionally embedding of the IGS in the NRA or at least a set-up in which the NRA has a degree of control over the IGS. It would foster a synchronisation of the working processes and enables, the IGS to be fully involved in the NRA's resolution planning activities. In a time-sensitive crisis situation, it is inefficient for the IGS and NRA/NCA to first agree on a course of action. The IGS should not take any measures that run counter to the resolution objectives. Even if there is a conflict of interest between the interests of policyholders and other resolution objectives, the balanced view of the NRA should take precedence, taking into account all resolution objectives. The objective is to ensure close, continuous cooperation in both planning and crisis management, supported by shared governance structures or integrated organizational arrangements. Such a link

could involve shared administrative bodies, joint decision-making processes with formal recognition of roles and procedural steps, or direct oversight relationships (in which the NRA/NCA would supervise the IGS on a close basis). By embedding the IGS more closely within the supervisory and resolution framework, this option aims to enhance coordination, speed of action, and consistency of policyholder protection. However, it may require significant structural changes in Member States where IGS currently operate independently.

Impact of the policy options

Policy issue 2: Institutional set-up and arrangements and levels of coordination and cooperation		
Option 1: Maintaining status quo: flexibility on set-up with no specific requirements on cooperation arrangements.		
Costs	Policyholders	Continued divergence in cooperation practices may lead to uneven crisis-management outcomes and variable speed of intervention across Member States. Although a general cooperation requirement exists, its non-prescriptive nature may still result in uncertainty, inconsistent communication, and potential delays in compensation or policy continuity during failures, particularly in fragmented institutional environments.
	Insurance and reinsurance undertakings	Insurers face indirect costs from persistent heterogeneity in expectations, processes, and information-sharing practices across jurisdictions. The absence of structured cooperation may complicate planning, increase uncertainty during resolution, and require duplicated engagement with multiple authorities. Cross-border groups may experience inconsistent treatment, raising operational complexity and reducing predictability of supervisory and resolution interactions.
	Supervisory and resolution authorities	Authorities must coordinate without harmonised frameworks, relying on ad-hoc arrangements that increase administrative burden and negotiation time. Divergent national practices may hinder preparedness, slow decision-making, and create inefficiencies in crisis execution. Lack of structured cooperation can exacerbate information asymmetries and complicate alignment of financing arrangements between IGS and resolution authorities.
	Other	Fragmentation persists, requiring bespoke solutions and bilateral arrangements that increase operational complexity. IGS with limited engagement in planning may struggle to integrate into resolution processes. Divergent national governance structures may hinder cross-border cooperation, reduce transparency, and perpetuate inconsistencies in funding interactions between IGS and resolution financing arrangements.
Benefits	Policyholders	In Member States with well-functioning existing frameworks, minimal disruption preserves clarity and avoids transitional uncertainty. Familiar institutional arrangements remain intact, reducing communication challenges. Policyholders benefit from continuity of national practices, although improvements depend heavily on the quality of pre-existing cooperation between IGS and resolution authorities.
	Insurance and reinsurance undertakings	Maintaining flexibility avoids costly institutional redesign and preserves existing governance structures. Firms benefit from stability and limited compliance adjustments. National discretion allows adaptation to local

		market characteristics, although predictability across borders remains limited. Undertakings are not subjected to the burden of formalised cooperation obligations that may require internal process changes.
	Supervisory and resolution authorities	Authorities retain autonomy to tailor cooperation to national legal and institutional contexts. Existing relationships and informal coordination channels can continue without mandatory restructuring. This reduces implementation burden and allows incremental improvements where needed. Flexibility supports Member States with established frameworks that already ensure effective cooperation.
	Other	National bodies maintain full institutional independence and avoid complex reforms. Implementation is straightforward, requiring only high-level cooperation expectations. Existing governance structures remain intact, reducing legal and organisational disruption. Member States can adapt cooperation practices to local needs without prescriptive EU-level requirements.
Option 2: Flexibility on set-up, with specific requirement on formal cooperation arrangements		
Costs	Policyholders	No direct impact, but benefits depend on the quality and ambition of national implementation. In Member States with dormant or minimally staffed IGS, formalisation may require structural adjustments that could temporarily affect preparedness, adding some transitional complexity. Complexity increases where multiple IGS coexist, potentially slowing coordination improvements during the transition.
	Insurance and reinsurance undertakings	Insurers may face moderate compliance costs as formal cooperation arrangements clarify expectations, information-sharing, and funding interactions. Internal processes may need adjustment to align with more structured crisis-management frameworks. In jurisdictions with multiple IGS or complex governance, undertakings may experience increased administrative engagement during the transition to formalised arrangements.
	Supervisory and resolution authorities	Authorities incur administrative and legal costs to negotiate, draft, and maintain formal cooperation frameworks. Establishing clear roles, responsibilities, and information-sharing protocols requires significant coordination, especially in Member States with multiple IGS. Dormant schemes may require activation or governance changes, increasing transitional complexity and resource needs due to added transitional workload.
	Other	IGS may need to strengthen operational readiness, governance, and planning capabilities to meet formal cooperation requirements. Multiple-scheme set-ups face additional coordination burdens. Ministries may need to amend legislation or oversee MoUs, increasing administrative workload. Transitional adjustments may be substantial where IGS currently operate with limited engagement in resolution planning.
Benefits	Policyholders	Clearer, formalised cooperation improves predictability and reduces the risk of delays or gaps in protection. Defined roles and information-sharing processes support faster intervention and more consistent outcomes across Member States. Policyholders benefit from strengthened preparedness and reduced uncertainty during crisis situations.

	Insurance and reinsurance undertakings	Greater clarity on crisis-management expectations enhances planning and reduces uncertainty. Formalised cooperation supports more consistent treatment across Member States, benefiting cross-border groups. Firms gain improved visibility on how IGS and resolution financing arrangements interact, reducing operational ambiguity and supporting more effective internal contingency planning.
	Supervisory and resolution authorities	Formal arrangements strengthen preparedness by clarifying responsibilities, decision-making processes, and information flows. Authorities benefit from reduced risk of operational conflicts and more predictable cooperation during crises. Structured frameworks improve alignment of financing arrangements and support more coherent execution of resolution strategies.
	Other	Enhanced transparency and accountability improve coordination between IGS and NRAs. Formalised frameworks support better alignment of funding mechanisms and intervention tools. Ministries and NCAs gain clearer oversight structures, improving governance and reducing ambiguity in crisis roles. Cross-border cooperation becomes more consistent and reliable.
Option 3: Closely integrated set-up of both NRAs and IGS		
Costs	Policyholders	No direct impact, but significant institutional restructuring may create transitional uncertainty. Integration of IGS into NRA governance could temporarily affect communication or operational readiness. In Member States with independent IGS, structural changes may require legislative reforms that take time to implement, potentially delaying full benefits of this option and causing temporary disruption .
	Insurance and reinsurance undertakings	Firms may face substantial adaptation costs due to structural changes in governance, reporting, and funding interactions. Integration may require new processes, enhanced data provision, and closer engagement with authorities. While long-term benefits exist, the transition may impose administrative burdens, especially in jurisdictions with multiple or highly independent IGS, resulting in more administrative burdens .
	Supervisory and resolution authorities	Authorities face significant organisational and legal reforms to integrate IGS into resolution structures. This includes redesigning governance, aligning processes, and establishing joint decision-making frameworks. Resource demands increase during transition, and legislative changes may be required. Integration also requires careful management of potential conflicts of interest and oversight responsibilities, with resource needs increasing considerably.
	Other	IGS may lose operational independence and require substantial redesign of governance, staffing, and processes. Ministries may need to enact major legislative reforms. Member States with standalone schemes face the greatest structural disruption, requiring extensive institutional transformation and major adjustments.
Benefits	Policyholders	Integrated structures deliver the strongest improvement in protection through seamless coordination, faster decision-making, and consistent crisis-management outcomes. IGS involvement in planning ensures readiness and reduces delays. Policyholders benefit from a system designed to prioritise continuity of protection and minimise uncertainty during failures.

	Insurance and reinsurance undertakings	A coherent, predictable resolution framework reduces the risk of disorderly failures and enhances market confidence. Integrated structures improve clarity on roles, funding interactions, and expectations. Insurers benefit from more consistent cross-border treatment and reduced uncertainty during crises, supporting better internal planning and risk management.
	Supervisory and resolution authorities	Deep integration enhances information flow, joint planning, and operational execution. Authorities benefit from fewer coordination issues, faster crisis response, and more efficient use of resources. Integrated governance supports alignment of resolution objectives and ensures that IGS actions do not conflict with broader resolution objectives.
	Other	System-wide gains in stability and harmonization; closer alignment with banking-sector resolution practices. System-wide gains include stronger harmonisation, improved stability, and closer alignment with banking-sector resolution practices. Integrated structures support coherent funding strategies and reduce fragmentation. Ministries gain clearer oversight and more robust crisis-management frameworks. IGS become fully embedded in planning, improving operational readiness and strategic alignment.

Comparison of policy options

Policy issue 2: Institutional set-up and arrangements				
	Effective and efficient policyholder protection	***Ensuring a level playing field***	***Improving transparency and better comparability***	***Simplification and burden reduction***
Option 1: Maintaining status quo.	0	0	0	0
Option 2: Flexibility on set-up, with specific requirement on formal cooperation arrangements	+	+	+	-
Option 3: Closely integrated set-up of both NRAs and IGS	++	+	+	--

Preferred policy option

5.43 Based on the assessment of these policy options, it seems that the second and third policy option are similarly capable of achieving the policy objectives**,** with difference in which specific objectives are reached better. However, considering the implementation of the IRRD and the subsequent unclarity and diversity of the specific implications in Member States, the second option is advised to be pursued as a minimum, as it is less burdensome to the specific institutional context of Member States. In any case it is essential that NRAs and IGS ensure sufficiently effective cooperation and coordination, to optimize the effective application of resolution tools and powers.

<u>Stakeholders' view</u>

Regarding IGS role in resolution respondents indicated that IGS can complement resolution planning by providing operational insight into payout processes, data needs, beneficiary identification and practical constraints. Several respondents note that IGSs possess "deep expertise in the precise topic of insurer resolution", particularly because they analyse insurers as "gone-concern" entities, which differs from the supervisory mindset. In some views, this expertise can support tools such as portfolio transfers, bridge institutions or solvent run-off, helping ensure continuity of coverage and rapid compensation where resolution tools cannot fully protect policyholders. Others emphasise that IGS involvement must remain strictly limited, exceptional and last-resort, to avoid role-blurring, moral hazard and duplication with IRRD financing arrangements.

A recurring theme is that IGS funds should not be used to absorb losses that belong to shareholders or creditors under the resolution hierarchy. Several respondents stress that IGS contributions in resolution should "not exceed the amount it would have been required to pay out in liquidation", reflecting the no-creditor-worse-off principle. Mandatory IGS involvement in all resolution cases is widely opposed: it risks undermining the primacy of IRRD tools, increasing industry costs, and creating incentives for authorities to intervene earlier or rely on IGS resources instead of applying proper resolution measures.

A clear distinction emerges between resolution funding and insolvency (liquidation) protection. Resolution financing arrangements under the IRRD could be deployed to are designed to stabilize failing insurers , support transfers, and cover operational costs of orderly resolution. By contrast, IGS funding is intended to compensate policyholders in liquidation or, in limited cases, to top up entitlements where resolution outcomes would otherwise breach NCWO. Mixing the two is seen as problematic: it creates cross-subsidization risks, governance complexity, and potential misuse of IGS funds for broader resolution objectives. Most respondents therefore advocate a strict separation of mandates, funding bases and intervention triggers, with coordination but not institutional integration.

Stakeholders' views on the institutional set-up for involving insurance guarantee schemes (IGS) in resolution diverge, but several consistent themes emerge. Many respondents emphasize that the

IGS should remain institutionally distinct from the resolution authority, with a clearly separated mandate focused on policyholder protection in liquidation. Resolution financing arrangements under the IRRD serve different objectives—stabilizing failing insurers, supporting transfers, and covering operational resolution costs—whereas IGS funding is designed to compensate protected policyholders. Combining these functions in a single structure is widely seen as creating governance complexity, cross-subsidization risks and blurred accountability. Some warn that merging IGS and resolution financing could lower the threshold for intervention, encourage reliance on IGS funds, and ultimately increase costs borne by policyholders.

Coordination, however, is viewed as essential. Respondents note that IGSs possess practical expertise in failure management, data, payout channels and beneficiary identification, which can support resolution planning. Still, this involvement should be limited to information exchange and operational input, not decision-making or funding of resolution tools. Several stakeholders stress that IGS participation must remain exceptional and last-resort, activated only when resolution tools cannot adequately protect policyholders and never to absorb losses that should fall on shareholders or creditors.

Overall, the preferred institutional arrangement is one of strict separation with structured cooperation: the resolution authority retains primacy, while the IGS provides complementary protection without becoming a de facto resolution fund or influencing resolution.

ADDITIONAL INFORMATION

SECTION: GENERAL QUESTIONS ABOUT THE IMPACT OF VARIANTS OF HARMONIZED IGS

All information presented in these case studies is derived from publicly available sources[88].

CASE STUDY 1: FWU LIFE INSURANCE LUX S.A.

FWU Life Insurance Lux S.A. (Luxembourg)

- FWU Life Insurance Lux S.A. was specialized in Unit-linked insurance.
- There is no IGS in place in Luxembourg.
- The company entered judicial liquidation and dissolution in February 2025, following insolvency proceedings opened in 2024.
- Around 250.000 policyholders in Europe (France, Belgium, Germany, Austria, Italy, Luxembourg and Spain) and the estimated value (still to be defined) of those policies is about 300 million EUR. Official FAQs and clarifications state that policyholders will not lose all their savings despite the liquidation but a small percentage or potentially no loss at all, contingent upon the efficiency and administrative expenses of the liquidation process.An active court-supervised liquidation process is underway, with dedicated communications to policyholders (including country-specific contacts). Policyholders must wait for the liquidators to sell off the assets, which often takes several years.
- German policyholders who bought through FWU’s German branch found that Protektor (Germany’s IGS) did not cover them because the company was legally domiciled in Luxembourg.

<u>Highlights from lessons learnt:</u>

- **Policyholders of Unit-linked products are also susceptible to potential losses of their savings due to inadequate governance and risk management practices by the insurer.**
- **The absence of an IGS in the home country of an insurer can leave policyholders unprotected, even if an IGS exists in their country of residence causing confusion among consumers.**
- **The treatment of insurance failures is subject to variation due to differences in national supervisory and judicial processes.**

[88] The amount mentioned in the fourth bullet point (300 million euros), which reflects the overall policy value, does not imply that losses will reach that level.

CASE STUDY 2: Astra Asigurări (Romania) - *Insurance guarantee scheme model*

Background

- Astra Asigurări S.A. was a major Romanian non-life insurer specialized in a broad range of general insurance products, including mandatory car insurance, property and liability coverage.
- In Romania there is in place an all encompassing IGS covering all insurance products. Policyholders are covered independently of the country of residence.
- From early 2014, the company was under special administration by the Romanian Financial Supervisory Authority (ASF) due to solvency and liquidity deficiencies. In August 2015, following unsuccessful recovery efforts, ASF withdrew its authorisation and initiated bankruptcy proceedings, subsequently confirmed by the Bucharest Court in April 2016.

Policyholders affected

- At the time of its failure, Astra reportedly insured approximately 1.8 million policyholders under around 2.5 million active non-life insurance contracts, including mandatory MTPL cover.
- The bankruptcy therefore had a significant impact on Romanian consumers and businesses. However, the insurer was active also in other countries mainly in Hungary, Slovakia and Germany.

Impact on policyholders

- Estimated claims exposure associated with Astra's failure amounted to around RON 700 million (~EUR 157 million at the time). Outstanding claims were transferred to the Romanian Insurance Guarantee Fund (Fondul de Garantare a Asiguraților – FGA), which has since paid approximately RON 555 million (~EUR 125 million at the time), subject to statutory compensation limits per policyholder.
- Despite the activation of the guarantee scheme, policyholders experienced delays in claim settlement, reflecting the legal and administrative processes following insurer insolvency. In addition, compensation caps under the FGA framework meant that, in certain cases, claims were not fully covered, resulting in residual financial losses for some policyholders.

Highlights from lessons learnt:

- **While the presence of an IGS does not entirely eliminate the risk of loss for policyholders, it can significantly reduce the impact of such losses in certain circumstances. The efficacy of an IGS in minimizing policyholder losses is influenced by various factors, including operational efficiency of the IGS and size and complexity of the insurer.**
- **IGS that provide coverage for all types of insurance products can offer policyholders uniform protection, regardless of the specific contract they hold. This approach ensures that all policyholders are afforded equal treatment and access to compensation, thereby enhancing consumer protection and confidence in the insurance market.**

CASE STUDY 3: Conservatrix (Netherlands) - *Portfolio transfer without an insurance guarantee scheme*

Background

- Conservatrix was a Dutch life insurance undertaking, specialized in life insurance.
- There is no IGS in place in Netherlands.
- From mid-2019, the company failed to meet the Solvency Capital Requirement (SCR) and subsequently also breached the Minimum Capital Requirement (MCR). On 8 December 2020, De Nederlandsche Bank (DNB) filed for the company's bankruptcy due to persistent non-compliance with prudential requirements. The bankruptcy was declared in December 2020, and the first public report of the trustees was published shortly thereafter.

Policyholders affected

- At the time of its failure, Conservatrix insured approximately 71,000 policyholders, mainly in Netherlands. Trustee reports indicated that the majority of the company's liabilities consisted of policyholder claims, implying a significant impact on consumers.

Impact on policyholders

- Trustees estimated total liabilities of around EUR 800 million, largely representing policyholder claims, although no official aggregate loss figure has been published.
- Early communications indicated expected recoveries of approximately 60–90%. In 2022, an agreement was reached to transfer the insurance portfolio and assets to Waard Leven N.V., with the transfer completed in 2023 following court approval.
- Prior to the portfolio transfer, claims and benefits were paid, to the extent possible, by the bankruptcy estate under the supervision of the court, as the Netherlands does not operate a general insurance guarantee scheme for life insurance.
- As part of the resolution, policyholders experienced reductions in contractual entitlements, including the cancellation of guaranteed capital relating to future premiums and future profit-sharing rights, as well as a 10% reduction in remaining entitlements. For insured events occurring up to 1 January 2023, compensation was generally set at 90% of the insured amount or surrender value, as applicable.

Highlights from lessons learnt:

- **In the event of an insurer's failure, the absence of an IGS can lead to significant uncertainty and risk for policyholders. The recovery of policyholder assets and liabilities is heavily reliant on the effective management of the failure, including portfolio transfer and agreement with the buyer.**

CASE STUDY 4: Gefion Insurance (Denmark) - *Cross-border failure with fragmented guarantee scheme coverage*

Background

- Gefion Insurance was a Danish non-life insurer operating cross-border in several EU Member States.
- Denmark has an IGS in place covering all non-life products except credit and suretyship.
- Between 2019 and 2020, the company experienced liquidity and capital shortfalls and failed to meet the Solvency Capital Requirement (SCR). In November 2019, the Danish Financial Supervisory Authority (DFSA) required a recovery plan and ordered the company to stop writing new business. The plan was rejected, and on 24 June 2020 the DFSA withdrew Gefion's authorisation. The company entered voluntary liquidation in July 2020 and was declared bankrupt on 7 June 2021.

Policyholders affected

- Gefion provided non-life insurance, including motor liability, personal injury and travel insurance. The failure affected policyholders in Denmark, the UK, Ireland, Germany, France, Poland and Italy. Trustee reports indicated around 20,000 open claims, with a large concentration in Germany and the UK.

Impact on policyholders

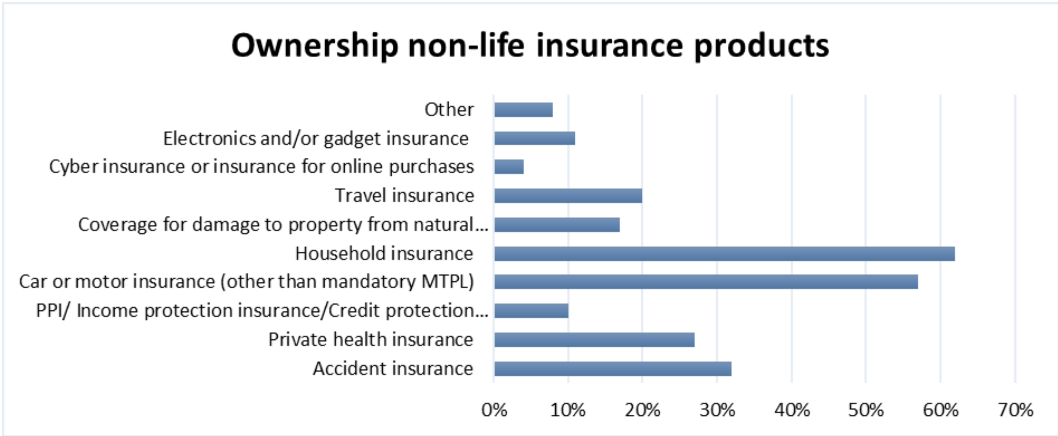
- Trustees estimate the bankruptcy estate's liabilities at approximately EUR 401 million, largely representing insurance claims, although figures remain subject to uncertainty. In several countries, national insurance guarantee schemes assumed responsibility for claims within their territorial scope (e.g. Germany, the UK, Poland, Ireland and France), while coverage differed across Member States.
- Where claims or premium refunds were not covered by a national guarantee scheme, policyholders faced delays, uncertainty and potential partial losses, with reimbursements dependent on insolvency proceedings. Even where guarantee schemes applied, coverage limitations meant that some claims were not fully compensated.

<u>Highlights from lessons learnt:</u>

- **The absence of harmonisation among IGSs across the European Union presents significant challenges in the event of cross-border insurer failures, potentially leading to disparate levels of protection for policyholders. A notable concern is that policyholders of the same insurer may be subjected to varying levels of loss exposure, contingent upon the specific characteristics of the insurance guarantee scheme in place in their respective countries.**
- **Operationalizing the 'home approach' has proven challenging for some IGSs due to a lack of familiarity with policy coverages in foreign jurisdictions and complexities in retrieving cross-border data.**

TABLES

Table 1: 2025 Eurobarometer ownership of non-life insurance products



Source: Eurobarometer 2025

Table 2: Scope of coverage for the various IGSs that are either already in place or currently being developed, highlighting the specific lines of business that fall within their respective domains[89]

Where multiple IGSs coexist within a single jurisdiction, they are presented in separate columns to ensure clarity. Countries with multiple IGSs appear once for each scheme.

[89] BE The IGS only covers individual class I life insurace (employee benefits excluded)
DK The IGS covers life insurance companies that are authorized to conduct occupational injury insurance.
EE II pillar pension contracts (annuity)
LV Any compulsory insurance policies are not covered by the IGS.
BU Obligatory Accident insurance of passangers in public transport vehicles.
PL The coverage for "Fire and other damage to property insurance" is limited to compulsory insurance of the farm buildings.
The coverage for "General liability insurance" is limited to "other" compulsory insurance - mainly including different professional TPL insurance.
The coverage for life insurance includes: life insurance, endowment for children, dowry, unit-linked, annuity insurance, accident or sickness insurance (but only if it is a rider of the aforementioned lines).
FR Other life insurance includes only pensions insurance contracts

LoBs	AT	BE	BE	CY	DE	DE	DK	EL	ES	FI	FI	FR	FR	FR	FR	IE	IT	IT	LV	MT	NO	PL	PT	RO
Non-life insurance obligations																								
Medical expense							✓		✓				✓	✓					✓	✓	✓			✓
Income protection							✓		✓				✓	✓		✓			✓		✓			✓
Workers' compensation			✓				✓		✓	✓				✓		✓					✓		✓	✓
Other motor							✓		✓							✓			✓		✓			✓
Marine, aviation and transport							✓		✓											✓				✓
Fire and other damage to property							✓		✓						✓	✓			✓	✓	✓	✓		✓
General liability							✓		✓		✓					✓		✓	✓	✓	✓	✓		✓
Credit and suretyship									✓							✓				✓				✓
Legal expenses							✓		✓							✓				✓	✓			✓
Assistance							✓		✓							✓			✓	✓	✓			✓
Miscellaneous financial loss							✓		✓					✓		✓				✓	✓			✓
Life insurance obligations																								
Health insurance	✓					✓			✓			✓	✓						✓			✓		✓
Insurance with profit participation	✓	✓		✓	✓			✓	✓			✓					✓		✓	✓		✓		✓
Index-linked and unit-linked	✓			✓	✓			✓	✓			✓					✓			✓		✓		✓
Other life	✓	✓		✓	✓			✓	✓			✓	✓				✓		✓	✓		✓		✓
Annuities health	✓								✓			✓		✓					✓	✓	✓	✓		✓
Annuities other than health	✓			✓					✓	✓	✓	✓							✓	✓	✓	✓		✓
Reinsurance obligations																								
Health reinsurance																						✓		
Life reinsurance																						✓		
Other, please specify							1						2						3			4		

1 Occupational injury insurance.
2 Other life insurance includes only pensions insurance contracts
3 Compulsory insurance is not covered.
4 "Fire and other damage to property insurance" is limited to compulsory insurance of the farm buildings.

Source: Supervisory authorities

Motor insurance is excluded from this table to prevent confusion with the mandatory coverage provided by Insurance Guarantee Schemes (IGS) under the Motor Insurance Directive (2009/103/EC). Please note that certain countries may cover motor insurance risks that extend beyond the scope of the aforementioned IGS.

Table 3: Coverage of different type of policies across EU

Type of policy	Coverages	Countries
Accident	Death	AT, BE, BG, CY, CZ, DK, EE, EL, ES, FI, FR, HR, IE, IS, IT, LV, MT, NL, NO,PL, PT, RO, SE, SI, SK
	Permanent disability	AT, BE, BG, CY, CZ, DE, DK, EE, EL, ES, FI, FR, HR, IE, IS, IT, LI, LV, MT, NL, NO,PL, PT, RO, SE, SI, SK
	Temporary disability	AT, BE, BG, CY, CZ, DE, DK, EE, EL, ES, FI, FR, HR, IE, IS, LI, MT, NO,PL, PT, RO, SE, SI
	Medical expenses related to the accident	AT, BE, BG, DE, DK, EE, EL, ES, FI, FR, HR, IE, IS, IT, LI, NL, NO,PL, PT, RO, SE, SI
	Long-term care	CY, DE, EE, FI, FR, IE, LI, PL, PT, RO
	Disability income	AT, BE, CY, DE, EE, FI, FR, IE, NO,PT, RO, SE
	Other	
Fire and Other damages	Building coverage(i.e. Coverage for the physical structure of the building, including the walls, roof, and foundation.)	AT , BE, BG, CZ,DE, DK, EE, EL, ES, FI, FR, HR, IE, IS, IT, LI, LV, MT, NL, NO,PL, RO, SE, SI, SK
	Contents coverage (i.e. Coverage for the personal property and belongings inside the building, such as furniture, appliances, and clothing)	AT, BE, BG, CZ, DE, DK, EE, EL, ES, FI, HR, IE, IS, IT, LV, MT, NL, NO, RO, SE, SI, SK
	Other	BE, ES, FI, IE, IT
Third party liability	Medical malpractice	AT, BE, BG, DE, DK, EE, EL, FI, HR, IE, IS, IT , LI, NL, NO,PL, RO, SE, SI, SK
	Architectural or engineering errors	AT, BE, BG, DE, DK, EE, FI, HR, IE, IS, IT, LI, MT, NL, PL, SE, SI, SK
	Accounting or financial errors	AT, BE, DE, DK, EE, FI, HR, IE, IS, IT, LI, LV, MT, NL, PL, SE, SI, SK
	Legal malpractice	AT, BE, BG, DE, DK, EE, EL, HR, IE, IS, IT, LI, NL, PL, RO, SE, SI, SK
	Other	BU, ES, FI, IE, IS, IT, LV
Income protection	Wage replacement for temporary disability	AT, BE, CZ, DE, DK, EE, EL, HR, IE, IS, IT, LI, LV, NL, RO, SE, SI, SK
	Wage replacement for permanent disability	AT, BE, CZ, DE, DK, EE, EL, HR, IE, IS, IT, NL, NO, RO, SE, SK
	Partial disability benefits (e.g., payments for reduced work capacity or part-time work)	AT, BE, DE, DK, EE, EL, HR, IE, LI, LV, NL, NO, RO, SE, SI, SK
	Rehabilitation or return-to-work support (e.g., training, partial benefits for phased return)	DK, EE, IE, LV, NL, RO, SK
	Other	ES, FI, IE, IT
Sickness	Medical expenses	AT, BE, BG, CZ, DE, DK, EE, EL, ES, FI, FR, HR, IS, IT, LI, LV, NL, NO, RO, SE, SI, SK
	Hospitalization expenses including surgical expenses	AT, BE, BG, DE, DK, EE, EL, ES, FI, FR, HR, IS, IT, LI, LV, NL, RO, SE, SI, SK
	Critical illness benefit (i.e. lump-sum payment in case of critical illness)	AT, BE, BG, DE, DK, EE, EL, FI, FR, HR, IS, NO, RO, SE, SI, SK
	Disability income	AT, BE, DE, DK, EE, EL, FR, SE, SI, SK
	Long-term care	AT, BE, DE, DK, EE, EL, FR, LI, SK
	Other	AT, FI, IT
Other life	Death benefit only (lump sum payment upon death)	AT, BE, BG, CZ, DE, DK, EE, EL,ES, FI, FR, HR, IS, IT, LI, LV, NL, NO,PL, SE, SI, SK
	Survival/maturity benefit (payment if insured survives to a certain age/term end)	AT, BE, BG, DE, DK, EL, ES, FR, HR, NL, PL, RO, SE, SI, SK
	Combination of death and survival benefits	AT, BE, BG, DE, DK, EE, EL, ES, FI, FR, HR, LV, NL, PL, RO, SE, SI, SK

Source: Supervisory authorities

Table 4: Mandatory policies across EU

Mandatory policies	AT	BE	BG	CY	CZ	DE	DK	EE	EL	ES*	FI	FR	HR	HU**	IE	IS	IT***	LI	LT	LU**	LV	MT	NL	NO	PL	PT	RO	SE	SI	SK
Other motor																		X										X		
Marine	X				X		X		X	X			X				X					X				X		X	X	X
Aviation	X				X		X		X	X			X				X	X				X				X		X	X	X
Transport							X		X	X							X	X								X				
Goods in transit	X								X																	X				
Accident			X									X	X					X								X				
Medical insurance					X	X					X	X						X					X			X				X****
Fire							X									X		X							X	X				
Other damage to property												X														X				
Natural Catastrophe									X							X	X	X							X		X			
Business interruption																														
Third Party Liability		X	X						X			X					X				X				X	X		X		
Legal Expense																														
Income Protection																														
Travel									X																	X				
Payment protection							X																			X				
Credit																	X													
Suretyship																	X													
Workers' compensation		X			X	X	X				X					X		X				X		X		X				
Professional liability	X	X	X		X	X	X		X			X				X	X	X	X		X	X	X			X			X	X
Assistance																														
Other miscellaneous financial loss																										X				
Other		X	X		X	X	X	X		X									X											X
Assurance on survival to a stipulated age only												X																		
Assurance on death only												X																		
Assurance with return of premiums												X																		
Endowment												X																		
Annuities from life products												X																		
Insurance with profit-sharing mechanism												X																		
Unit-linked or index-linked products												X																		
Permanent health insurance												X																		
Other										X		X																		

* In Spain, there are more than 200 mandatory insurances. The following stand out: compulsory motor vehicle liability insurance; civil liability insurance for recreational or sports boats; compulsory insurance for passengers on public transport; home insurance in the event of a mortgage; hunter's liability insurance; civil liability insurance for dogs; drone insurance; for the exercise of certain professions, it is a requirement to take out civil liability insurance to cover the consequences of possible errors or negligence; environmental liability insurance; civil liability insurance for school transport activities; nuclear damage liability insurance; civil liability insurance for insurance brokers; civil liability insurance for travel agencies. Insurance contract creditors (policy holders, insureds and beneficiaries of an insurance contract, as well as injured third parties), both in life and non-life insurance products, are protected against the bankruptcy of any insurance companies with registered office in Spain by means of an Insurance Guarantee Scheme (IGS)

** Information missing

*** In Italy there are several mandatory insurances covering, among others, credit and suretyship related to Public procurement of works, services, and supplies, Building mortgage, Personal loan, Accidents and illnesses for voluntary personnel

**** For foreigners

Source: Supervisory authorities

Motor insurance is excluded from this table to prevent confusion with the mandatory coverage provided by Insurance Guarantee Schemes (IGS) under the Motor Insurance Directive (2009/103/EC). Please note that certain countries may cover motor insurance risks that extend beyond the scope of the aforementioned IGS.

Table 5: Analysis of the relationship between IGS coverage and mandatory policies

Mandatory policies	AT	BE	CY	DE	DK	EL	ES*	FI	FR	IE	IT	LV	MT	NO	PL	PT	RO
Other motor																	
Marine	X				X	X	X				X		X			X	
Aviation	X				X	X	X				X		X			X	
Transport					X	X	X				X					X	
Goods in transit	X					X										X	
Accident									X							X	
Medical insurance				X				X	X							X	
Fire					X										X	X	
Other damage to property									X							X	
Natural Catastrophe						X					X				X		X
Business interruption																	
Third Party Liability		X				X			X		X**	X			X	X	
Legal Expense																	
Income Protection																	
Travel						X										X	
Payment protection					X												
Credit											X						
Suretyship											X						
Workers' compensation		X		X	X			X					X	X		X	
Professional liability	X	X		X	X	X			X		X	X	X			X	
Assistance																	
Other miscellaneous financial loss																X	
Assurance on survival to a stipulated age only									X								
Assurance on death only									X								
Assurance with return of premiums									X								
Endowment									X								
Annuities from life products									X								
Insurance with profit-sharing mechanism									X								
Unit-linked or index-linked products									X								
Permanent health insurance									X								
Other							X		X								

* In Spain, there are more than 200 mandatory insurances. The following stand out: compulsory motor vehicle liability insurance; civil liability insurance for recreational or sports boats; compulsory insurance for passengers on public transport; home insurance in the event of a mortgage; hunter's liability insurance; civil liability insurance for dogs; drone insurance; for the exercise of certain professions, it is a requirement to take out civil liability insurance to cover the consequences of possible errors or negligence; environmental liability insurance; civil liability insurance for school transport activities; nuclear damage liability insurance; civil liability insurance for insurance brokers; civil liability insurance for travel agencies.
In ES there is no alignment between the mandatory policies and the policies covered by the IGS itself. The IGS covers all type of policies, and therefore, the mandatory policies are also covered.
**In Italy, the IGS only covers the third-party liability for damage caused during hunting activities.

Source: Supervisory authorities

In the table, an **'X'** identifies jurisdictions where a policy is mandatory. Then the color-coding is used to show alignment: **green** means the mandatory policy is covered by the national IGS, while **red** indicates it is not.Data is exclusively provided for countries with an established or developing IGS.

Motor insurance is excluded from this table to prevent confusion with the mandatory coverage provided by Insurance Guarantee Schemes (IGS) under the Motor Insurance Directive (2009/103/EC). Please note that certain countries may cover motor insurance risks that extend beyond the scope of the aforementioned IGS.

Table 6.1: Volume of premiums written cross-border per lines of business (YE2024)

Lines of business	%
Unit-linked or index-linked	27%
Fire and other damage to property insurance	15%
General liability insurance	11%
Insurance with profit participation	8%
Motor vehicle liability insurance	6%
Marine, aviation and transport insurance	6%
Credit and suretyship insurance	5%
Other motor insurance	5%
Medical expense insurance	4%
Other life	4%
Miscellaneous financial loss	4%
Income protection insurance	2%
Health SLT	1%
Assistance	1%
Legal expenses insurance	0%
Workers' compensation insurance	0%
Total	**100%**

Source: Eiopa database

Table 6.2: Pecentage of total cross-border GWP over total GWP by LOB

LoBs	%
Credit and suretyship insurance	50%
Marine, aviation and transport insurance	41%
Miscellaneous financial loss	33%
General liability insurance	25%
Assistance	16%
Fire and other damage to property insurance	14%
Unit-linked or index-linked	13%
Workers' compensation insurance	11%
Motor vehicle liability insurance	9%
Other motor insurance	9%
Other life	8%
Income protection insurance	7%
Legal expenses insurance	5%
Medical expense insurance	4%
Insurance with profit participation	4%
Health reinsurance	4%

Source: Eiopa database

Due to the limited number of observations for the Annuity LoBs, this data has been excluded from the tables.

Table 7: Risk exposure per capita-Life Technical Provisions per capita YE2024

	Annuities stemming other than health	Health insurance	Index-linked and unit-linked	With profit participation	Other life
AT	17	168	1,376	4,428	0
BE	4	55	3,977	11,193	371
BG	1	(0)	161	110	(4)
CY	-	(13)	2,305	243	(5)
CZ	9	(39)	350	356	(82)
DE	30	3,588	2,441	9,062	88
DK	59	914	35,124	21,308	287
EE	34	(5)	666	164	(84)
EL	0	84	537	486	220
ES	1	0	860	986	2,159
FI	208	10	7,745	1,611	(69)
FR	102	254	6,977	16,393	166
HR	17	(0)	102	625	13
HU	14	(12)	618	169	(10)
IE	19	182	41,903	4,255	1,574
IS	-	36	74	-	14
IT	0	5	4,710	9,098	18
LI	-	1,143	208,151	3,370	40,259
LT	24	(48)	214	76	(5)
LU	-	81	212,432	47,270	709
LV	59	(3)	323	78	5
MT	-	(17)	1,998	4,064	(181)
NL	-	546	4,759	2,945	6,550
NO	0	278	9,597	15,788	137
PL	68	(17)	310	52	56
PT	-	-	1,889	1,409	689
RO	2	(6)	87	48	12
SE	162	72	19,022	4,489	5
SI	53	(12)	1,002	895	7
SK	15	(87)	197	424	9
W. Average	36	740	4,590	6,707	595

Source: Eiopa database

This table presents the weighted average of technical provisions for life lines of business per capita at year-end 2024. The figures represent technical provisions as a whole and the best estimate[90] for life business. In line with this Annex, only direct business is included. Per capita values were calculated by dividing these provisions by each country's total population[91]. TPs have been adjusted considering purchasing power parity (PPP) based on household final consumption expenditure[92] (HFCE). For LI the Swiss HFCW has been used as a proxy.

An average calculated on aggregate data has been implemented to weight the population of each country and neutralise the effect of cross-border business that lead to some countries (e.g., LU and LI) with very high percentage of cross-border business to have very high averages that do not represent the average exposure of their citizens to life insurance and would also distort a simple EU average.

When analyzing this data, it is important to note that these figures represent the EU average, which masks significant regional disparities. In nations such as Iceland, Romania, and Bulgaria, life insurance penetration remains notably low[93]. Conversely, in markets with high penetration

[90]QRT S.12.01.01

[91] Population, total | Data

[92] [tec00120] Price level indices

[93] Statistical tables: Global Insurance Market Trends 2025 | OECD

like Denmark, exposure per capita is substantially higher—approximately €35,000 for unit-linked products and €21,000 for profit-participation products. Furthermore, because these figures are averaged across the total population rather than restricted to active policyholders (excluding, for example, minors), the actual exposure per policyholder is considerably higher than reported.

Table 8: Average payments per claim by non-life LoBs (2016-2024)

	Average claim payments
Credit and suretyship insurance	6,318.33
Fire and other damage to property insurance	558.57
General liability insurance	742.34
Income protection insurance	535.93
Medical expense insurance	26.61
Workers' compensation insurance	968.29

Source: Eiopa database

Table 9: RIY With Profit Participation products (2024)

Member State	short - less than 10 years - RIY	medium - 10 to 20 years - RIY	long - greater than 20 years - RIY
AT		1.2%	1.7%
BE	0.6%	0.5%	
BG		2.0%	
DE		1.3%	1.1%
EL		0.5%	
ES	1.2%	0.7%	
FR	1.4%		
HU		2.9%	
IT	1.6%	1.6%	
PL		2.2%	
PT	1.8%		
RO		1.8%	
EEA	**1.4%**	**1.5%**	**1.1%**

Source: Eiopa database

Countries highlighted in blue indicate an operational IGS in place that covers products with profit participation.

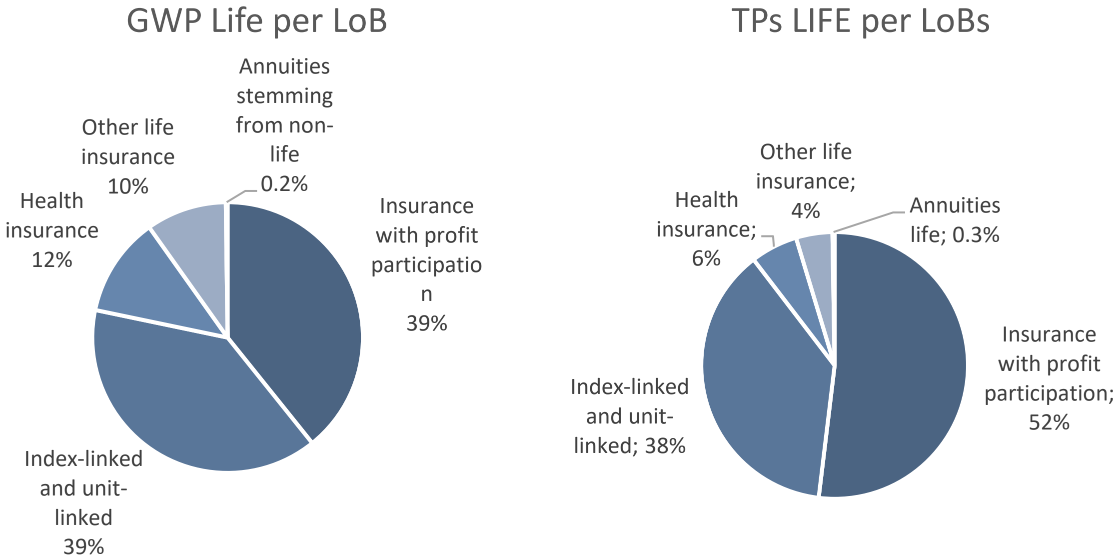
Table 10: RIY Unit Linked products (2024)

Member State	short - less than 10 years - RIY	medium - 10 to 20 years - RIY	long - greater than 20 years - RIY
AT		2.3%	2.8%
BE	2.6%	2.8%	
BG		2.4%	
CZ			2.3%
DE		1.7%	1.5%
EE		1.9%	
EL		3.0%	
ES	2.4%	2.8%	
FI		1.9%	
FR	2.0%	2.2%	
HR		3.2%	2.8%
HU		3.1%	
IE	2.1%		
IT	2.4%	3.0%	
LT		2.6%	1.3%
LV		1.8%	0.7%
PL	1.8%		
PT	1.5%	1.6%	
RO		3.0%	
SE	2.0%	3.0%	
SI		4.3%	
SK			1.9%
EEA	**2.3%**	**2.7%**	**1.5%**

Source: Eiopa database

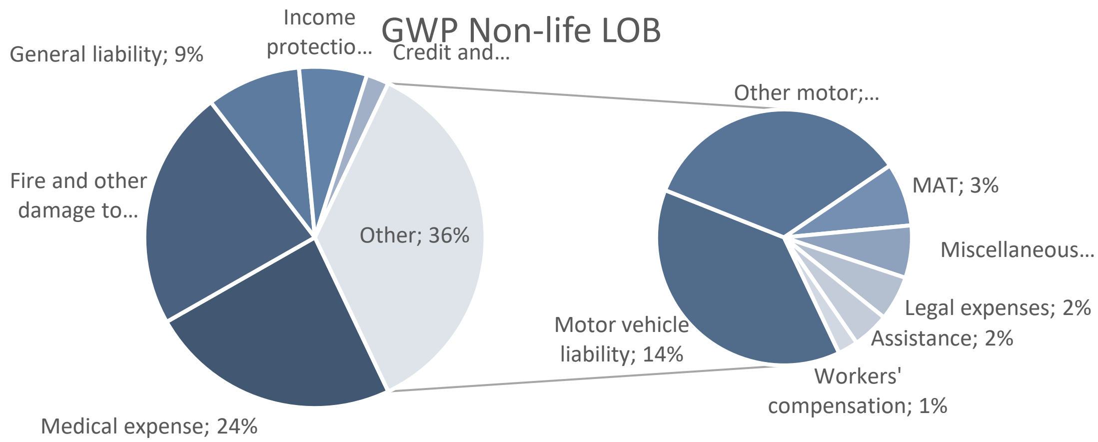
Countries highlighted in blue indicate an operational IGS in place that covers unit-linked products.

Figure 1: Gross Written Premiums and Technical Provisions life sector YE2024

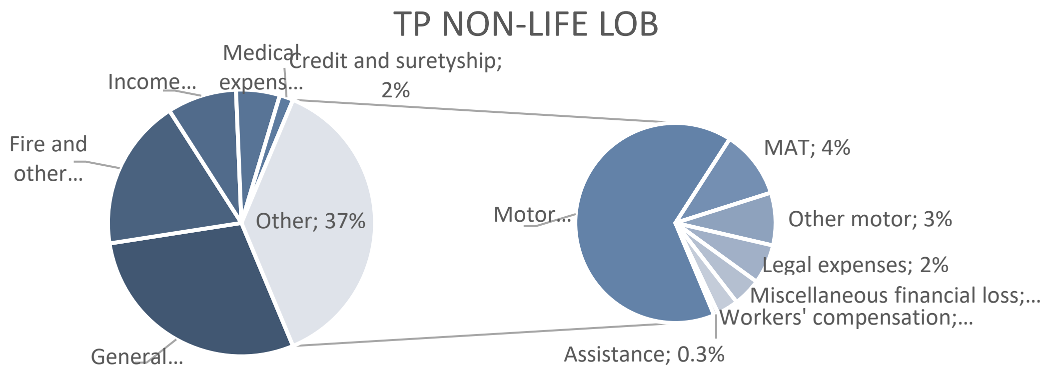


Source: Eiopa database

Figure 2: Gross Written Premiums and Technical Provisions non-life sector YE2024



Source: Eiopa database



Source: Eiopa database

SECTION: OPERATIONAL FUNCTIONING OF IGS

TIMELINE