



Insurance Guarantee Schemes minimum harmonization preparation in the EU

A webinar for actuaries, and compliance and risk experts across Europe

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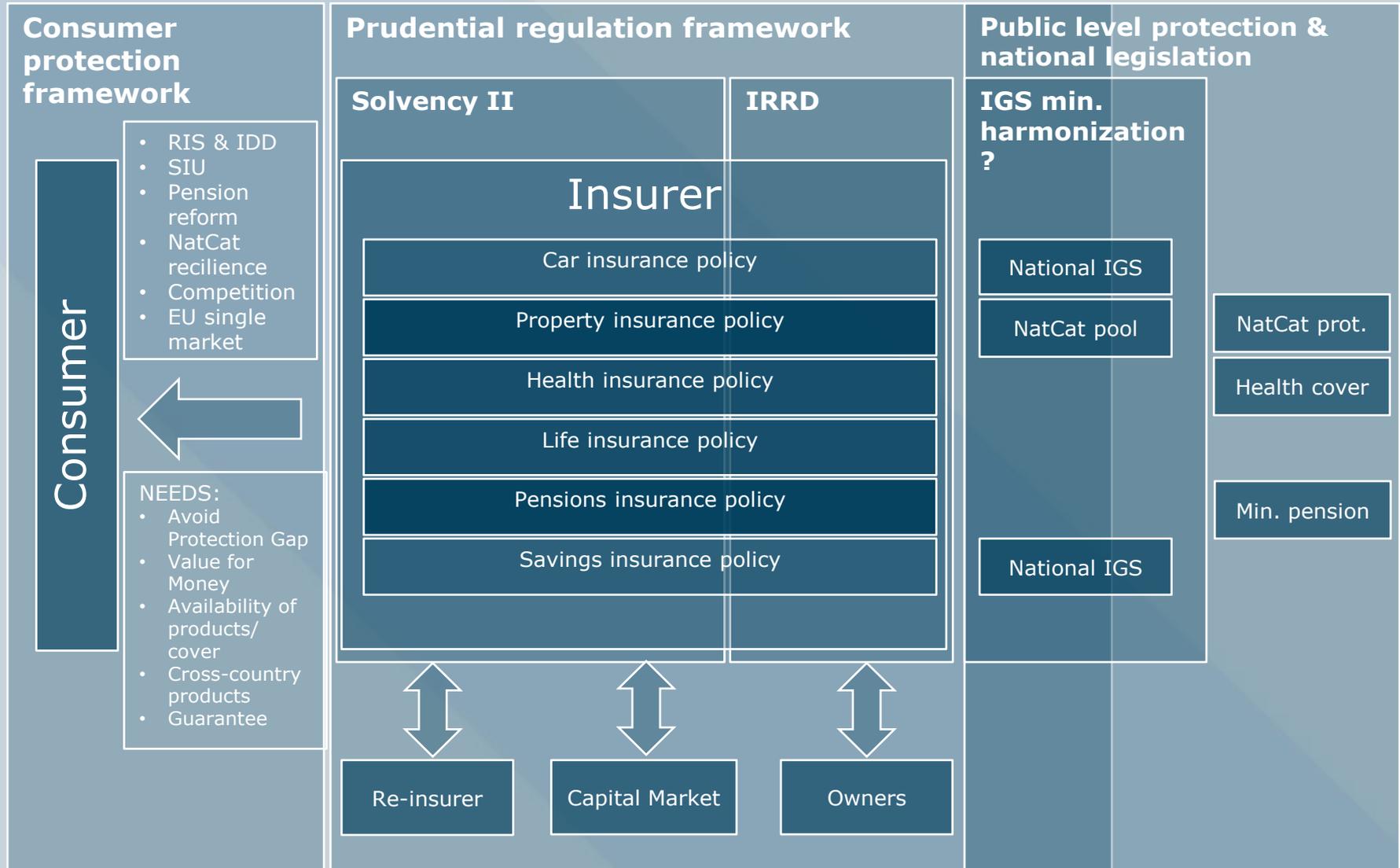
Insurance Guarantee schemes

- **Definition:** An Insurance Guarantee Scheme is a mechanism, typically funded by insurers, that protects policyholders if an insurance company fails, ensuring compensation or continuation of critical insurance coverage. Its purpose is to enhance consumer protection and maintain trust in the insurance market
- **Desired benefits** for consumers and insurance customers include:
 - Protection against insurer failure: Ensures that policyholders still receive compensation or continued coverage even when their insurer becomes insolvent.
 - More equal treatment across the EU: Reduces unequal outcomes in cross-border failures by moving toward harmonised protections.
 - Greater financial stability: A more predictable safety net can reduce systemic uncertainty and therefore protect households and businesses.
 - Strengthened trust in the insurance sector: Consumers gain confidence that regulators and the market have safeguards in place.
- **National insurance guarantee schemes** and **pooling agreements** already exist in several EU member states cover some types of insurance products

Some examples of existing IGS's in Europe

Country	Scheme	Lines covered	What it protects (incl. savings)	Funding model / level	Notable limits / caps
Germany	Protektor Lebensversicherungs-AG	Life	All life insurance contracts transferred on failure: endowment, term life, disability income, private pensions, unit-linked, capital redemption; protection includes accumulated savings/benefits and continuation of contracts where applicable.	Ex-ante fund: annual levy up to 0.2‰ of net technical reserves until fund reaches 1‰ (~€1.2bn as of 12/2022). Additional levies possible if needed.	No fixed euro cap; protection via portfolio transfer/continuation of contractual benefits.
Italy	Life guarantee insurance fund (2024 Budget Law)	Life	Pays policyholders/beneficiaries in cases of compulsory liquidation of member insurers; may include EU branches/FoS. Scope aims at life savings/benefits but detailed operational rules pending.	Compulsory for domestic life insurance companies and branches with annual premiums €50 million. Funded by member contributions, initially 0.4% of technical reserves, aimed at reaching 0.5%.	Up to €100,000 per policyholder.
Denmark	Danish Guarantee Fund (Skadesgarantifonden)	Non-life; industrial injury (even if written by life insurers)	Private non-life policies (motor liability, home/property, accident), third-party injury/property claims under motor liability, property fire; covers industrial injury insurance portfolios.	Levy-funded by members as part of the insurance premium; membership compulsory for firms writing covered business.	Covers claims for a defined post-failure period per case; specifics depend on failure event and statutory rules.
UK	Financial Services Compensation Scheme (FSCS)	Life & non-life (plus other sectors)	Insurance: 100% for long-term insurance and compulsory classes; 90% for other insurance. Focus on continuity or compensation.	Levy-funded across authorised firms (rules in PRA Rulebook).	Coverage percentages as above; product-specific rules apply.
Romania	FGA – Policyholders Guarantee Fund	Life & non-life (strong MTPL focus)	Insurance creditors incl. policyholders, beneficiaries, and injured third parties. MTPL claims covered; cross-border mechanisms for EU claims.	From Jan 2026: 0.4% of gross life premiums; 3% of gross non-life premiums; additional 2% special contribution for non-life.	FGA will pay claims up to a maximum threshold per insurance contract/creditor. The general limit some 450,000 lei – 500,000 lei per creditor per contract, though this is subject to legislative updates.

How does IGS minimum harmonization position itself within the current framework?



Some recent insurers failures in EU

- There are examples of insurers failures from the last 5 years. These should be studied and learned from as these can show how to improve the (legal) structure.
- Insurers 'failure' seems not to be a very exact definition – insolvency/ bankruptcy/ resolution/ liquidation
- Insurance being a private (non-public) business activity, should there always should be a possibility for an insurer to fail or not?

Insurer	Country	Countries of Operations	Outcome	Policyholder Impact	Losses/Non-Paid Claims?	Guarantee Scheme Coverage
Eurovita	Italy	Italy	Extraordinary administration; liquidation of old entity; portfolios transferred to Cronos Vita then split among 5 insurers	Temporary freeze of surrenders until Nov 2023; contractual rights maintained via transfer	No savings haircut; redemptions resumed (product penalties may apply)	No – handled via system solution (Cronos Vita/portfolio transfer)
Euroins Romania (EIG)	Romania/Bulgaria	Romania; Bulgaria	Licence withdrawn; bankruptcy confirmed 2025	Claims administered by Romanian Policyholders Guarantee Fund (FGA); large RCA book affected	Potential delays/shortfalls due to reinsurance termination and liquidation process	Yes – Romanian FGA for eligible claims
FWU Life Insurance Lux S.A.	Luxembourg	Luxembourg; France; Germany; Italy; Spain; Belgium; Austria	Judicial liquidation ordered Jan 2025; liquidator appointed	Payments suspended; assets frozen; creditors must file claims (deadline Jan 2028)	Yes – payouts suspended; recovery depends on liquidation dividends	In some countries – liquidation under CAA/EIOPA guidance; no general policyholder guarantee fund involved
Gefion	Denmark (cross-border)	Denmark; United Kingdom; France; Ireland; Italy; Germany; Poland	Bankruptcy (June 2021)	Claims handled by appointed handlers and national guarantee schemes (varies by country); new cover required	Some unpaid/delayed claims; compensation subject to national schemes (e.g., FSCS 90–100% in UK)	Yes – e.g., Danish Guarantee Fund (DK risks), FSCS (UK)

IGS minimum harmonization - Should we define what insurance products are 'essential'

- IRRD Art 35. defines the principles for using The **write-down or conversion tool**. It specifically **prohibits** to use it e.g. to very short (< 7days) liabilities and pension benefits and then gives the **national option to prohibit** the use also for health insurance and long term care that is linked to the statutory social security system.
- EIOPA has also tried to describe (in their IGS work) the types of **products that should be considered essential for harmonised protection** because their failure would cause significant financial or social hardship or because they have substantial cross-border relevance

- **Life insurance policies** where failure would cause major financial or social hardship for policyholders or beneficiaries.
- **Long-term savings and protection products** (e.g., policies providing income or benefits critical for household financial security).
- **Non-life insurance policies** with high consumer reliance, specifically those where policyholder detriment would be severe if cover ceased (e.g., essential household or liability protections).
- **Lines of business with high levels of cross-border activity**, meaning failures would have multi-jurisdiction impact requiring harmonised protection.
- Policies where **discontinuity would lead to substantial economic disruption**, such as certain protection-heavy lines

What key questions should we answer in an attempt to minimum harmonize IGS's in EU?

- **Harmonisation in key operational areas** should be agreed on: intervention triggers, portfolio transfer ability, continuation of cover, geographical scope, and funding frameworks. → if not solved might lead to inconsistent policyholder treatment and legal uncertainty.
- **Home/host protection conflict** remains unresolved: Home-country models may insufficiently protect cross-border policyholders, whereas host-country models introduce overlap and complexity; even mixed models (e.g., motor insurance) face practical barriers. This also is closely linked to the EU single market goals.
- **Timing concerns:** EU-wide IGS rules may be premature, as the recently implemented IRRD and Solvency II frameworks have not yet been tested.
- **Significant national differences** make harmonisation complex and potentially disruptive, as insolvency laws, existing IGS designs, product structures and social-security linkages vary widely across Member States. Any one-size-fits-all model may undermine the functioning of some of the national systems.

What key questions should we answer in an attempt to minimum harmonize IGS's in EU?

- **Pre-funding vs. post-funding challenges:**
 - Pre-funding ties up capital for failures that may never occur and risks competitive distortion unless universally applied.
 - Post-funding may be unworkable in small or concentrated markets facing a major failure.
- **Cost of an IGS:**
 - Theoretically the price for a solo insurer is roughly: **probability of (insurer) loss X expected shortfall**. → in some simple life insurance examples this price has been 2/1000 – 2/10000 as a proportion of technical provisions depending on the distributions and the solvency ratio.
 - When correlations (to wider market), market uncertainties and prudency level is added, the price might increase significantly.
- Risk of some **cost burdens and contagion in concentrated markets**, where large insurer failures could overwhelm national schemes and even create macroprudential new issues; harmonisation may force all Member States into funding levels or mechanisms unsuitable for their market structure.

EU insurance market – concentration by country



EU country		Market share for Non-life insurers			
		Top 3	Top 5	Top 10	
LITHUANIA	LT	95 %	100 %	100 %	TOP3: 1/3 market
LATVIA	LV	94 %	100 %	100 %	
ESTONIA	EE	86 %	96 %	100 %	
ICELAND	IS	83 %	100 %	100 %	
LIECHTENSTEIN	LI	81 %	94 %	99 %	
SLOVAKIA	SK	79 %	93 %	100 %	
ROMANIA	RO	67 %	83 %	95 %	
DENMARK	DK	64 %	75 %	88 %	
FINLAND	FI	61 %	68 %	79 %	
BULGARIA	BG	60 %	73 %	93 %	
PORTUGAL	PT	60 %	75 %	91 %	
CROATIA	HR	60 %	76 %	98 %	
SLOVENIA	SI	59 %	82 %	100 %	
CZECH REPUBLIC	CZ	59 %	77 %	96 %	
POLAND	PL	59 %	71 %	87 %	
NORWAY	NO	59 %	68 %	83 %	
SWEDEN	SE	55 %	62 %	70 %	
MALTA	MT	52 %	67 %	81 %	
HUNGARY	HU	52 %	72 %	94 %	
LUXEMBOURG	LU	45 %	58 %	68 %	
ITALY	IT	45 %	55 %	72 %	
IRELAND	IE	41 %	55 %	70 %	
AUSTRIA	AT	41 %	62 %	82 %	
NETHERLANDS	NL	41 %	54 %	71 %	
SPAIN	ES	35 %	44 %	63 %	
GREECE	GR	33 %	51 %	76 %	
GERMANY	DE	32 %	41 %	55 %	
BELGIUM	BE	30 %	45 %	73 %	
CYPRUS	CY	30 %	42 %	65 %	
FRANCE	FR	15 %	22 %	36 %	

EU country		Market share for Life insurers			
		Top 3	Top 5	Top 10	
ESTONIA		100 %	100 %	100 %	TOP3: 1/3 market
LATVIA		100 %	100 %	100 %	
MALTA		88 %	94 %	99 %	
ICELAND		87 %	100 %	100 %	
LITHUANIA		87 %	100 %	100 %	
SLOVAKIA		85 %	92 %	100 %	
FINLAND		78 %	92 %	100 %	
GREECE		73 %	89 %	99 %	
ROMANIA		69 %	84 %	99 %	TOP3: 1/2 market
SLOVENIA		64 %	85 %	100 %	
CYPRUS		64 %	80 %	100 %	
BULGARIA		63 %	85 %	100 %	
NORWAY		63 %	80 %	97 %	
PORTUGAL		63 %	73 %	90 %	
CZECH REPUBLIC		61 %	80 %	100 %	
POLAND		61 %	71 %	87 %	
AUSTRIA		60 %	72 %	87 %	
LIECHTENSTEIN		55 %	69 %	90 %	
CROATIA		54 %	73 %	98 %	
DENMARK		51 %	65 %	86 %	
NETHERLANDS		50 %	65 %	88 %	
BELGIUM		45 %	61 %	86 %	
HUNGARY		43 %	62 %	94 %	
SPAIN		43 %	52 %	66 %	
LUXEMBOURG		40 %	55 %	81 %	
ITALY		37 %	49 %	68 %	
SWEDEN		35 %	53 %	85 %	
FRANCE		31 %	46 %	67 %	
IRELAND		30 %	43 %	66 %	
GERMANY		24 %	33 %	47 %	

Source: EIOPA market data publication from year 2023

Insurance Guarantee schemes – next steps



- The European Commission has formally requested EIOPA to provide **technical advice on establishing minimum common standards for Insurance Guarantee Schemes within the EU**, under Article 98 of the Insurance Recovery and Resolution Directive (IRRD).
- The initiative aims to address the current fragmentation of IGS across Member States, which leads to inconsistent policyholder protection and level-playing-field concerns, especially in cross-border business.
- **EIOPA is preparing its response** to the Commission’s Call for Advice, including early engagement with stakeholders.
- **Stakeholders are being consulted** via surveys and workshops to collect views on possible harmonisation approaches, funding models, scope of protection, and trigger conditions.
- EIOPA will prepare its **formal advice to the Commission** by end of August 2026.
- European Commission aims to come out with (legal) **proposals early 2027**.



THANK YOU!