ACTUARIAL ASSOCIATION OF EUROPE

Rethinking the Need for Insurance Guarantee Schemes

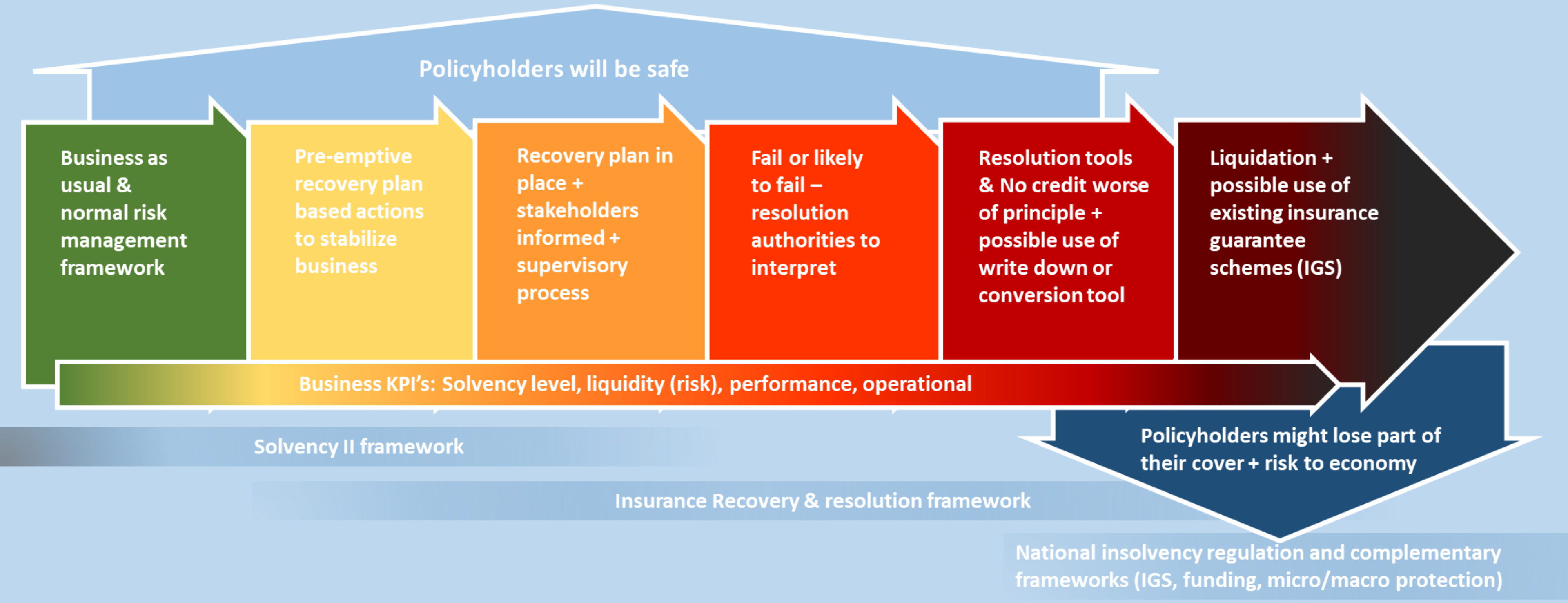
Lauri Saraste, Chairperson AAE Insurance committee

ECA2026 Paris | 18 June 2026

What is the prudential regulation framework in EU?

AAE ACTUARIAL ASSOCIATION OF EUROPE

Prudential Regulation framework – crisis flow



Some recent insurers bankruptcies in EU

- There are some examples of insurers bankruptcies from the last 5 years.
- These should be studied and learned from as these can show how to improve the (legal) structure, processes and limit the existing unawareness (e.g. cross-border cases).

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Euroins Romania (EIG)	Romania/Bulgaria	Romania; Bulgaria	Licence withdrawn; bankruptcy confirmed 2025	Large amount (over 1 million) of policyholders affected. Claims administered by Romanian Policyholders Guarantee Fund (FGA)	Potential delays/shortfalls due to insurance cover 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 supervisors guidance; some countries have guarantee funds but not all
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)

Why IGS might be important for policyholders ?

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

- In the current European framework, the level of IGS type of end protection offered to policyholders varies significantly across Member States. The prudential framework is the same with only some national additions.
- The outcome for policyholders in the event of an insurer failure can depend heavily on where the insurer is established or how the business is conducted.
- Policyholders engaging in cross-border insurance activity may face materially different levels of end protection compared to those purchasing same products in another country - from a consumer perspective, this raises concerns regarding fairness, trust, and the effective functioning of the Single Market.
- The protection IGS would provide can take different forms, including compensation for unpaid claims or the continuation or transfer of insurance policies to another undertaking
  - From a policyholder perspective, the key objective is not always immediate compensation. In many cases, the continuation of insurance coverage may be more important, particularly for long-term products or products where replacement coverage may be difficult to obtain.

Why IGS might be important for policyholders ?

- From a policyholder perspective, IGS type of end protection mechanisms should be accessible, predictable and operationally simple, particularly in cross-border situations.
- Policyholders should not be required to understand complex distinctions between different organisational structures, such as branches or freedom of services arrangements, in order to benefit from protection.
- It seems important to determine the extent of residual consumer risk in the current framework, and whether this risk justifies the introduction of an additional, harmonised protection layer which could be a minimum harmonization framework for IGS's in EU.
  - This requires a clear understanding of how existing frameworks, in particular Solvency II and the Insurance Recovery and Resolution Directive (IRRD), already reduce the likelihood and impact of insurer failures. Only once this residual risk is properly understood can informed decisions be made about the necessity, scope and design of harmonised IGS.
- 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.

What are the open questions around this IGS minimum harmonization issue?

ACTUARIAL ASSOCIATION OF EUROPE

- Available data on insurer failures and policyholder losses remain limited, and in some cases rely on assumptions or partial data.
- The new Insurance Recovery and Resolution Directive is expected to significantly change how insurer distress is managed in practice. Its effect on reducing policyholder losses and enhancing continuity remains uncertain still for many years. IRRD doesn't cover all the market but will change a lot of legislative and supervisory processes.
- Where the goals is to have more effective policyholder protection there could be also preventive measures that would make improvements. For instance, strengthening supervisory convergence under Solvency II, enhancing cross border collaboration between national authorities, and improving early detection of vulnerabilities in firms conducting aggressive business models of growing volumes of cross border business.
- Any connection to banking and deposit guarantee schemes should be made carefully – for instance need for liquidity differs a lot here and also the continuance of cover is very different.
- It seems important to clearly distinguish between evidence-based analysis and policy choices. Different IGS design options involve trade-offs that extend beyond policyholder protection and may affect insurance pricing, availability of products, market structure, and regulatory burden.

What are the open questions around this IGS minimum harmonization issue?

- Not all insurance products carry the same level of risk or importance for policyholders. Some products, such as life insurance, pension-related products, or health insurance, may have long-term implications for financial security and may therefore justify stronger protection mechanisms.

- In addition, certain insurance products are mandatory or serve essential economic or social functions, such as motor insurance or coverage linked to housing and natural catastrophe risks. Many national pools exist here already.

- A key question is whether IGS should focus on such "essential" products and whether objective criteria can be defined to determine which products fall into this category. A better understanding of this issue could also support a phased or sequenced approach to any harmonization proposal.

'Essentiality' of insurance for customers

- **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

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

ACTUARIAL ASSOCIATION OF EUROPE

Consumer protection framework

Consumer

- RIS & IDD
- SIU
- Pension reform
- NatCat recilience
- Competition
- EU single market

NEEDS:
- Avoid Protection Gap
- Value for Money
- Availability of products/ cover
- Cross-country products
- Guarantee

Prudential regulation framework

Solvency II

IRRD

Insurer

- Car insurance policy
- Property insurance policy
- Health insurance policy
- Life insurance policy
- Pensions insurance policy
- Savings insurance policy

Re-insurer

Capital Market

Owners

Public level protection & national legislation

IGS min. harmonization ?

- Motor ins Dir.
- NatCat pool
- National IGS

- NatCat prot.
- Health cover
- Min. pension

Insurance markets are quite different in EU – how should we deal with this?

AAE ACTUARIAL ASSOCIATION OF EUROPE

- Majority of EU Member States are considered to have very concentrated insurance markets. This magnifies the market impact in case of insurer failure.
- A study from European commission 2021 * demonstrates that as concentration rises the distribution of potential losses develops extremely heavy tails, exposing an IGS to a small number of catastrophic events rather than many manageable ones.
  - The Vasicek type credit risk model used in the paper explicitly introduces a concentration (granularity) adjustment δ, defined as the sum of squared market shares, to capture the fact that some national insurance markets are dominated by a few large undertakings – risk that is non-diversifiable.
  - As market concentration (δ) increases, the loss distribution becomes much more skewed. From a policy perspective, this means that the same confidence level of consumer protection cannot be achieved with the same funding rate across Member States, because the underlying loss distributions are structurally different.
- This particular model implies that ex ante funding in concentrated markets would approximately be 3 to 4 times more costly than in large, diversified insurance markets, when measured as a percentage of premiums or technical provisions and calibrated to the same protection standard

*) JRC Publications Repository - Insurance Guarantee Schemes: quantitative impact of different policy options

EU insurance market – concentration by country

Source: EIOPA market data publication from year 2023

AAE ACTUARIAL ASSOCIATION OF EUROPE

EU country		Market share for Non-life insurers		
		Top 3	Top 5	Top 10
LITHUANIA	LT	95 %	100 %	100 %
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 %

TOP3: 1/3 market

TOP3: 1/2 market

EU country	Market share for Life insurers		
	Top 3	Top 5	Top 10
ESTONIA	100 %	100 %	100 %
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 %
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 %

TOP3: 1/3 market

TOP3: 1/2 market

Thank you!

Any comments or questions?