

# EIOPA'S ADVICE ON MINIMUM COMMON STANDARDS FOR INSURANCE GUARANTEE SCHEMES IN THE EU

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## 1. INTRODUCTION

### *Request for technical advice*

#### **1.1 The European insurance sector plays a central role in protecting citizens, supporting long-term savings, and contributing to the resilience and growth of the European economy.**

As the Single Market continues to deepen and cross-border insurance activity expands, ensuring a consistent level of protection for policyholders across all Member States – including in cases of resolution or insolvency - has become increasingly important. Against this backdrop, the European Commission issued its Call for Advice under Article 98 of the Insurance Recovery and Resolution Directive (IRRDR), inviting EIOPA to assess the state of play of Insurance Guarantee Schemes (IGS)<sup>1</sup> in the Union and to provide technical input on the potential need for minimum harmonised standards<sup>2</sup>. EIOPA's advice to the European Commission on the harmonization of Insurance Guarantee Schemes (IGS) in the European Union follows the August 2025 Call for Advice (CfA) which asks EIOPA to supplement its Opinion on the 2020 review of Solvency II (hereinafter 'EIOPA's 2020 Opinion'). The CfA is therefore requesting a targeted advice, including new analyses on the level of standardization of insurance policies which may fall under minimum harmonized IGS coverage, cross border relevance, economic impact, and the advantages and disadvantages of broad versus targeted IGS coverage. Additional assessments include how harmonized IGS could reduce market fragmentation, evaluating conditions under which pure ex post or hybrid funding models could work, how harmonized IGS would work in terms of their operational functioning, including trigger moments for their activation, time for submission of claims, deadline for payouts to policyholders, conditions and timing for continuation of policies, and insolvency ranking of IGS<sup>3</sup>, and analysing the interaction between the Insurance Recovery and Resolution Directive (IRRDR)<sup>4</sup> and potential IGS standards, in particular with regard to the institutional set-up and functions of the IGS.

#### **1.2 EIOPA welcomes this request. The question of IGS minimum harmonisation has been a recurring theme in EIOPA's policy, supervisory, and consumer protection work for more than a decade.<sup>5</sup>** The Commission's Call for Advice to EIOPA recognises the potential role of IGS in both liquidation and continuation strategies, depending on national structures and policy goals. It also reflects the evolution of the EU's financial stability framework, where harmonised protection already exists in banking and securities markets – respectively through the Deposit Guarantee Schemes Directive and the Investor Compensation Schemes Directive. Insurance

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<sup>1</sup> According to Article 2 of the IRRDR Directive, 'insurance guarantee scheme' means a scheme officially recognised by a Member State and financed through contributions from insurance or reinsurance undertakings or policy holders guaranteeing the payment of eligible insurance claims, in part or in full, to eligible policy holders, insured parties and beneficiaries, or ensuring the continuation of insurance policies where an insurance undertaking is unable or likely to become unable to fulfil its obligations and commitments resulting from its insurance contracts.

<sup>2</sup> [European Commission, Call for Advice to EIOPA on Insurance Guarantee Schemes \(IGS\) in the context of the IRRDR.](#)

<sup>3</sup> IGS which are set up in accordance with the Motor Insurance Directive (2009/103/EC) are not covered in this Advice as these IGS are not included in the scope of the CfA due to the unique degree of harmonization of insurance policies covering Motor Third Party Liability in the EU since 1972.

<sup>4</sup> [Insurance Recovery and Resolution Directive \(IRRDR\), January 2025.](#)

<sup>5</sup> Beginning with the Commission's earlier reviews of national guarantee schemes and continuing through EIOPA's 2018 Discussion Paper on National IGS, the 2020 Opinion on IGS Harmonisation, and subsequent consultations, EIOPA has consistently highlighted the challenges posed by the current fragmentation of national protection frameworks.

remains the only major retail financial sector without a comparable minimum harmonisation for guarantee scheme in the EU.

*Differences in policyholder protection in the current IGS landscape affects the Single Market*

- 1.3 **While insurers can operate seamlessly across borders under a single license, policyholders may not enjoy a convergent level of protection at the event of failure of an insurance undertaking considering the specific circumstances in each Member State.** Their level of protection in the event of insurer failure still depends almost entirely on national frameworks, which vary widely in scope, coverage, and even existence. This creates a structural imbalance: the Single Market for insurance is functional for companies, but not yet for policyholders in case of insurers' resolution or insolvency.
- 1.4 **The fragmentation and disparate outcomes for policyholders is particularly evident in cross border situations.** In cross border cases IGS coverage often depends on where the insured risk is located which might deviate from the policyholder's residence or place of purchase. As a result, insurance cross-border business under fragmented IGS can undermine the principles of the internal market and in cases of failures this can reinforce consumer mistrust of EEA providers. The current fragmented national landscape creates real asymmetries between the market access enjoyed by insurers and the protection available to their policyholders. This asymmetry contributes to, and may further exacerbate, the mis-trust that some consumers have towards cross-border business: for example, EIOPA's 2024 Eurobarometer survey<sup>6</sup> shows that 30% did not buy insurance from providers from another Member State either because of mis-trust or concerns about facing complexities in case of issues arising.
- 1.5 **Policyholders cannot be expected to understand the implication of buying a policy from a domestic insurer, a branch or under freedom of services arrangements.** At least until further harmonisation in IGSs is achieved, additional transparency on the level of protection in the event of failure of an insurer of the different products sold should be considered. Given that policyholders cannot reasonably be expected to fully understand the technical details of insurance products, and in order to promote effective transparency, EIOPA suggests introducing simple disclosure requirements indicating whether, and to what extent, policies are covered by an IGS.<sup>7</sup> A consumer who has been properly informed will understand that for example insurance-based investment products have market risk; however, it is not the responsibility of a consumer to monitor the risk of failure of an insurer.
- 1.6 **In past cross-border failures where EIOPA was involved through Collaboration Platforms policyholders' outcomes differed depending on the Member State where the insurance undertaking was licensed and whether that Member State had an IGS — rather than because of the product type or insurer's conduct.** A fully functioning Single Market must work for both companies and consumers. Without harmonised last resort protection for policyholders, this objective remains unmet. For example, in two cases where liquidation happened, disparities were clearly observed: in the case of Gefion, the Member state where the undertaking was licensed did have an IGS, however, this IGS only covered policyholders that purchased the

<sup>6</sup> [https://www.eiopa.europa.eu/tools-and-data/eurobarometer-2024-consumer-trends-insurance-and-pension-services\\_en](https://www.eiopa.europa.eu/tools-and-data/eurobarometer-2024-consumer-trends-insurance-and-pension-services_en)

<sup>7</sup> See as well EIOPA advice 2020: 13.23 EIOPA advises to establish requirements for the adequate, clear and comprehensive disclosure to consumers and policyholders about the existence of IGSs and the rules governing the entitlement to coverage under such schemes.

insurance product in that Member State and not the policyholders that purchased the same insurance product elsewhere in the EU. The situation was different in the case of Astra where an IGS was in place covering for all policyholders impacted, regardless of the Member State they lived in. In this case the IGS played a key role in mitigating consumers' losses in a cross border failure and ensured consistent outcomes across the Union.

- 1.7 **The lack of minimum IGS harmonization leaves consumers in situations of uncertainty in case of an insurance undertaking failing, even when the policy value may be fully paid out in the end.** For example, in the FWU case, although liquidation is still ongoing and policyholders may recover the policy value, consumers have already been raising concerns and questions. Through FWU's different branches or via freedom to provide services their policyholders purchased products in several Member States. Since the failure, several policyholders have raised questions as to whether the IGS of the Member State (where they live) would cover any eventual losses even though the company was legally domiciled in another Member State. This is not the case. These policyholders might have considered purchasing an insurance policy from a domestic insurer had they been aware that the national IGS would not cover for the "cross border" policy they bought. Yet, in the Single Market, this should not be a necessary consideration when purchasing insurance.
- 1.8 **Experiences from these cases show that financial backing is necessary to ensure clarity and calm, as well as equal treatment of policyholders, in particular at a time where other barriers for policyholders still need attention.** Despite the presence of IGS in different Member States affected by the failure of one company, it is also important to ensure administrative issues (such as the procedure of submitting claims) and language barriers are addressed in the interest of consumers. Streamlined procedures and cross-border cooperation are essential alongside financial backing.
- 1.9 **Finally, it is important to note that not all near misses result in failures, and not all failures require financial support of an IGS.** The Solvency II framework provides a sound contribution to the stability of the insurance sector, even though insurance failures and near misses continue to happen. A recent example is the case of Eurovita where, thanks to national measures, the failure was avoided and policyholders did not suffer any losses. In the case of the failure of Element, because of the use of different tools and measures already available thanks to Solvency II, the failure did not require financial support. Still, as shown by the other examples, some failures do result in harm to consumers. In those cases, the existence of a minimum harmonized IGS throughout the EU can facilitate and accelerate claims pay-outs and prevent social or individual hardship to EU-citizens and ensure equal treatment of policyholders that bought the same product from the same insurer. This is even more important in the context of the Single Market where insurers can sell in 27 Member States on the basis of a licence issued in one Member State.
- 1.10 **The current patchwork of national IGSs has revealed several structural weaknesses.** This demonstrates that the current system does not deliver predictable or equitable outcomes for policyholders, particularly in cross-border contexts:

- **Gaps in protection:** in some Member States, no IGS exists, leaving policyholders without any additional cover in case of resolution or insolvency<sup>8</sup>. In cross-border situations, host-state schemes may also fail to cover incoming cross-border business. For example, where an IGS only covers policyholders resident in a given Member State, and an insurer established in that Member State sells its products online across the EU, the IGS of the Member State of establishment of that insurer, in the event of failure, would cover only the domestic policyholders. Even though all policyholders purchased the same product from the same insurer via the same website, policyholders resident in other Member States would not be covered.
- **Duplication of coverage:** in other cases, overlapping schemes result in inconsistent or duplicative protection, creating uncertainty for both supervisors and consumers.
- **Limited scope:** some national schemes cover only specific lines of business or categories of policyholders, leaving significant market segments without protection.
- **Different triggers:** in order for an IGS to provide compensation to policyholders, certain criteria must be met; however, these criteria may differ between Member States. For example, if a cross-border insurer fails, the IGS may be triggered for policyholders in some affected Member States but not in others, depending on the trigger set out in the national law of each Member State where policyholders are resident.
- **Lack of consumer awareness:** policyholders are often unaware that they are not covered by any guarantee scheme, particularly in cross-border situations involving passporting. For example, a consumer living in a Member State with an IGS may purchase online an insurance product offered by an insurer established in a Member State without an IGS. The consumer will likely assume they are covered, as they are typically unaware that the insurer is located in another Member State—and therefore outside the scope of their domestic guarantee scheme.

**1.11 A purely national perspective – based solely on whether a Member State has experienced insurer failures in the past – is not a reliable foundation for determining the need for IGS within the EU internal market.** Some Member States have faced significant failures and therefore recognise the value of IGS, while others have not experienced a major case for decades and may conclude that their market is “safe” and that no additional protection is needed. Further, national decision-making does not internalise the cross-border consequences of failures, including the impact on policyholders in other Member States and on confidence in the EU insurance market as a whole. For these reasons, the question of IGS cannot be left to national experience alone but requires an EU-wide assessment of policyholder protection, and a level playing field. The effects of minimum common standards for IGS in the EU on national markets should, however, be considered.

**1.12 Over the past decade, significant progress has been made through the introduction of a stronger and more harmonised prudential framework under Solvency II, enhanced conduct rules, and the development of recovery and resolution mechanisms by IRRD.** These measures

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<sup>8</sup> Except for the absolute preference of insurance claims with regard to the whole of the assets of the insurance undertaking (pursuant to Article 275(1)(b) Solvency II) or with regard to assets representing the technical provisions (pursuant to Article 275(1)(a) and corresponding safeguards provided for in Article 276 of Solvency II).

have strengthened the resilience of the sector and reduced both the likelihood and impact of insurer failures. However, they cannot eliminate the risk of failure. Insurance is not, and cannot be, a zero-failure sector. When failures occur, policyholders may still be exposed to losses – particularly in life insurance, where policies often represent lifetime savings. While consumers should bear the market risks inherent in their products, they should not be exposed to the risk of losing their savings as a result of insurer failure. Similarly, in the non-life insurance sector, without guarantee mechanisms, policyholders remain vulnerable to insurer insolvency, which can interrupt claim payments for events such as accidents, natural disasters, or liability losses, potentially leading to severe financial and social consequences.

- 1.13 Where available, the experience gained from the implementation of the IRRD should inform any further work or legislative proposal on minimum harmonisation of IGS in the EU.** Although the IRRD is not fully transposed and implemented at this stage, the transposition deadline of January 2027 as set by the Directive is approaching fast. During the practical implementation taking place beyond this date, NRAs should be increasingly well positioned to provide more information on the effectiveness and efficiency of the IRRD-framework and, where relevant, on its interaction with and involvement of IGS.

*An IGS framework that helps the Savings and Investments Union*

- 1.14 The absence of a minimum harmonised IGS framework also has broader implications for the development of the European financial system.** As part of the European Commission's Savings and Investments Union (SIU), households are encouraged to shift savings from deposits towards investment-based products, including insurance<sup>9</sup>. Achieving this objective requires a new understanding and acceptance of risk, which can be facilitated by consumer trust and the presence of certain safeguards. In other words, consumer trust is unlikely to solely arise from considerations on the solvency of insurers and the value for money of products but will also be reinforced by the availability of clear and reliable protection mechanisms in the event of insurer failure. The development of the Savings and Investments Union may increase the relevance of cross-border insurance activity, particularly in life insurance. The potential implications for policyholders should therefore be assessed, considering the coverage gaps; an increasingly pressing issue for consumer protection. From insurers' perspective, the lack of harmonized IGS protection, may weaken the competitiveness of the EU insurance sector, particularly where the scope of eligible life insurance products is limited. This is all the more relevant given that comparable minimum protection schemes have been established in the banking and capital sectors for many years.

- 1.15 Recent evidence suggests that consumer confidence remains fragile.** According to the 2025 Eurobarometer, only around half of EU consumers trust insurers, with significantly lower levels of trust in cross-border providers. At EU level, a notable share of consumers actively avoids cross-border insurance due to several factors, ranging from a simple desire for the reassurance of a local company to specific fears of facing unfair treatment when resolving issues in a foreign jurisdiction. Moreover, a behavioural study<sup>10</sup> commissioned by EIOPA indicates that the presence of guarantee schemes could increase consumers' willingness to purchase insurance,

<sup>9</sup> Monitored as general trend throughout the EEA with some countries showing different outcomes.

<sup>10</sup> [EASME Technical Awareness Raising vs 07 TS 260216 2235](#)

while harmonisation could strengthen trust in both domestic and foreign providers. In this context, a harmonised approach to IGS would not only enhance consumer protection but also support cross-border activity, improve market integration, and foster competition balancing potential cost implications by minimum standards for harmonised IGS.

**1.16 Against this backdrop, EIOPA has consistently advocated for the establishment of a harmonised European framework for IGS, based on a network of national schemes operating under common minimum standards.** Such an approach would ensure a consistent baseline of protection across the Union while preserving flexibility for national specificities as well as for covering additional policies. Across life, health, property, liability or other types of insurance, consumers and businesses must be confident that essential protections are in place also in case of resolution or insolvency to protect them from unexpected losses regardless of the cause of the insurer's failure. It would also complement the broader recovery and resolution framework, contributing to the orderly management of insurer failures. Acknowledging that IGS may entail in particular costs for insurance companies, establishing such a framework is however a necessary step towards a more integrated, resilient, and consumer-oriented European insurance sector, as well as the successful delivery of the SIU.

## 2. APPROACH TAKEN

### *Legal framework*

**2.1 The IRRD establishes a framework for minimum harmonization of national recovery and resolution frameworks in the EU, including a minimum set of resolution tools and powers to be used for the orderly resolution of failing insurers.** Designated national resolution authorities (NRAs) are required to draw up resolution plans for those insurers for which it would be in the public interest to apply resolution tools and powers and to not wind-up under normal insolvency proceedings. In accordance with the IRRD, IGS can be used in combination with resolution, including to facilitate and/or fund the application of resolution tools for protecting policyholders<sup>11</sup>. Where IGS are solely focused on the objective of policyholder protection, NRAs also need to consider three other objectives of equal legal importance.<sup>12</sup> Given the ongoing transposition of the IRRD in the Member States, the expected positive impact of the framework on policyholder protection is not fully established yet. This fact is duly taken into account in this Advice. However, even with the IRRD transposed and implemented in all Member States, gaps in policyholder protection can remain which request further consideration to develop minimum standards for IGS.

**2.2 In EIOPA's 2020 Opinion<sup>13</sup>, EIOPA advised that an IGS should be set up as a mechanism with the primary aim to protect policyholders,** which can be achieved by: i) paying compensation swiftly to policyholders and beneficiaries for their losses when an insurer becomes insolvent; and/or ii) ensuring the continuation of insurance policies (i.e. by funding or promoting a portfolio transfer or taking over and administering the portfolio)<sup>14</sup>. Concerning the eligible claimants, EIOPA advised that national IGSs should cover natural persons and micro-sized legal

<sup>11</sup> The interaction between the IRRD and IGS is analysed in detail by section 3.4 of this Advice.

<sup>12</sup> NRAs are required to consider four resolution objectives: protecting policyholders, maintaining financial stability, ensuring continuity of critical functions and minimizing reliance on public funds.

<sup>13</sup> [https://www.eiopa.europa.eu/publications/opinion-2020-review-solvency-ii\\_en](https://www.eiopa.europa.eu/publications/opinion-2020-review-solvency-ii_en)

<sup>14</sup> For more details on the several roles which an IGS can perform in the continuation of policies, please refer to section 4 of the Annex.

entities<sup>15</sup> (i.e. policyholders and beneficiaries). Where the policyholder is a company not covered by the schemes (i.e. SME and large-size), its related beneficiaries or third parties should still have the right to claim for compensation to the IGS (e.g. accident at work, airplane crash). The above-mentioned Opinion also describes possible option on geographical coverage, eligible policies, and coverage level among other issues.

**2.3 The Commission requests this technical advice from EIOPA in the context of Article 98 of IRRD.** In EIOPA's 2020 Opinion, EIOPA stated its view that every Member State should have a national IGS in place for the protection of policyholders in the event of insurance failures, harmonised with minimum standards across the EU. The national IGSs should meet a minimum set of harmonised features and be adequately funded. The exact structure of the schemes should be left to the discretion of Member States. At that time, EIOPA advised to consider the harmonisation of national IGSs within the broader context of recovery and resolution. According to this regulatory framework, COM is required to produce a report on IGS for which it needs to consult EIOPA.

**2.4 This advice, as well as the accompanying technical Annex, are subject to public stakeholder consultation** throughout May / June 2026. Deadline for submissions of EIOPA's advice package to the European Commission is 31 August 2026.

#### *Thematic areas of policy advice*

**2.5 The key findings of this advice are structured across four main thematic policy areas.** The thematic areas covered in this advice are: 1) general questions about the impact of minimum harmonized IGSs; 2) operational functioning of IGSs; 3) conditions for effective funding of IGSs; and 4) interaction between the IRRD and harmonized IGSs.

#### *Objectives for policy assessment*

**2.6 Each of the above policy areas are assessed against these policy objectives:**

- Objective 1: Effective and efficient policyholder protection;
- Objective 2: Level playing field and harmonization;
- Objective 3: Transparency and comparability; and
- Objective 4: Simplification and burden reduction.

**2.7 Objective 1, objective 2 and objective 3 are in accordance with the EIOPA's 2020 Opinion to allow comparability and a coherent approach. Objective 4 – simplification and burden reduction – has been added.** It comprises costs arising for the insurance sector, such as funding requirements from levy collection, operational adjustments, or even potential shifts of insurers' capital allocation in case of an EU-group structure. It also considers financial burden (e.g., resource impact due to new tasks) for authorities at national level, or on society in general by for example implementation burden due to new legislative changes. This advice has been developed in line with EIOPA's views for better regulation and supervision<sup>16</sup>, enhancing convergence through simpler, more efficient frameworks.

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<sup>15</sup> The meaning of micro-sized entities is the one as defined by the European Commission.

<sup>16</sup> See [Bolder, Simpler, Faster: EIOPA's views for better regulation and supervision](#)

*Preferred policy options*

**2.8 For each of the thematic areas and its policy issues, EIOPA has analysed several policy options and where possible presented a preferred option.** Alternatively a cost/benefits analysis of different option is presented. Starting from the baseline – the current state of today's non-harmonised IGS regulation in the EU – different options have been analysed by EIOPA. Where possible, derived from the cost/benefit analysis, the advice recommends preferred policy options. Following EIOPA's technical mandate, the advice abstains from political decisions. The drafting of the advice and its annex aims at presenting advantages and disadvantages of different policy options for further political discussion.

### 3. EIOPA'S ADVICE FOR EACH THEMATIC POLICY AREA

#### *1. General questions about the impact of minimum harmonized IGS*

**3.1 In line with the CfA, this section covers three main aspects** – one in each respective sub-section:

- An analysis of impact of having minimum harmonization in terms of IGS coverage for those policies identified as eligible in EIOPA's 2020 Opinion.
- An analysis of how minimum standardization in terms of IGS coverage could result in the insurance sector offering more services across the EU and reduce fragmentation.
- An analysis of the advantages and disadvantages of the different set ups for minimum harmonization in IGS coverage. Namely, starting from the current landscape – characterized by a fragmented approach to IGSs – this section explores the advantages of having one IGS covering all life policies, one IGS covering all non-life policies, one IGS covering all life and non-life policies, and one IGS covering specific policies.

#### *a. Analysis of the impact of covering different insurance policies*

**3.2 This section examines the feasibility of including specific policies<sup>17</sup> (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 specific policy details and product coverage (e.g. all risks covered by the policy, clauses, exclusions, etc.). It focuses on minimum standardization of the risks covered by an IGS in cases of insurers' failures.

#### *Level of standardization of the eligible insurance policies across the EU*

**3.3 EIOPA's analysis shows significant standardisation in the core risks by various insurance products in several EU Member States, even though the exact scope, amount, and terms of policy coverage varies.** Standardization, in terms of risks covered, is high for some policies. For example, across at least 22 Member States, accident policies show consistent coverage for death, disability and medical expenses resulting from an accident. Property insurance exhibits similar homogeneity, covering building structures in 25 Member States and personal property and belongings inside the building in 22. Similarly, life insurance products – without a saving

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<sup>17</sup> Although the 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). 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.

component – are highly standardized, with policies in 22 Member States providing benefits in the case of death of the policyholder and 18 Member States also offering survival benefits.

**3.4 Insurance-based investment products have some clear common core features.** As shown by EIOPA in its annual costs and past performance reports<sup>18</sup> – which compare these products annually – insurance-based investment products have some clear common core features. The vast majority of the insurance-based investment products mix a savings/investment component with biometric risk coverage given beneficiaries a benefit in case of a biometric event materializing. Insurance-based investment products can be broadly grouped into:

- **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. There is, however, variation across the EU as to how the profits distributed to policyholders are to be calculated, with some Member States having clear rules and other leaving it entirely to the discretion of insurers.
- **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 framework under Directive 2009/138/EC (Solvency II) 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.

**3.5 While coverage is also standardized for liability and health products, these products are also highly dependent on national legal and social systems.** For other products, although there is significant standardization across Member States (for example, liability insurance in 18 Member States covers professional indemnities and sickness insurance policies cover hospitalization and medical expenses arising from sickness in 20 Member States), there are also clear differences. Therefore, national factors need to be considered such as differentiations as to which professions require liability insurance as well as in the structural integration of policies related to health with national social security systems. 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.

**3.6 There is no clear correlation between the compulsory nature of some insurance products and IGS coverage.** EIOPA analysis also assesses the link between IGS-protected policies and mandatory insurance requirements in each country. Notably, EIOPA's analysis shows no clear correlation between the compulsory nature of some products and IGS coverage. However, the case for robust minimum IGS coverage may be stronger when policyholders or claimants are legally required to hold insurance with limited choices of providers.

*Cross-border relevance of the different insurance lines of business*

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<sup>18</sup> [Costs and past performance report - European Insurance and Occupational Pensions Authority](#)

**3.7 EIOPA's Solvency II data shows that non-life insurance dominates cross-border activity<sup>19</sup>, although life insurance also plays a significant role particularly in unit-linked and index-linked business.** Based on EIOPA's Solvency II GWP Data (annual solo end 2024):

- Non-life insurance is more relevant than life insurance from a cross-border point of view. Indeed, non-life Lines of Business (LoBs) accounts for approximately 59% of the total cross-border direct business premiums, with Fire and Other Damage to Property LoB (15%) and General Liability LoB (11%) being the most predominant LoBs.
- Still, life insurance is relevant, as 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 direct cross-border business.

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

**3.8 The eligible policies identified in the EIOPA's 2020 Opinion comprise a significant proportion of the insurance market (in technical provisions terms<sup>20</sup>).** These policies account for 64% of total non-life technical provisions and 90% of total life insurance technical provisions through savings products alone, although it is noted that the relative weight of these policies can vary significantly across EU member states. Within the non-life sector, the technical provisions<sup>21</sup> for general liability and property damage represent three-quarters of the eligible non-life policies, highlighting where the financial weight of potential claims is most concentrated. The eligible policies defined in the EIOPA's 2020 Opinion are also those most held by consumers according to EIOPA's 2025 Eurobarometer.

**3.9 The failure of an insurance company can have different but at time significant consequences for individual policyholders.** The actual loss incurred by policyholders when an insurer fails depends on various factors, including the type of insurance and the actions taken by the correspondent authorities. In case of failures, even in cases where the overall impact on the economy may be limited; there could be significant financial impact on individual consumers holding one of the policies identified in the EIOPA's 2020 Opinion. Given that Solvency II offers a robust framework for supervisory intervention, it is unlikely that all insurers' assets are gone at the time of failure. In this moment, the insurer will move from a going concern perspective to a gone concern. In the case of non-life, policyholders who filed a claim that was not yet paid or incur a loss under the contract with the failed insurer will suffer a loss. Other policyholders will only lose the unused premium. In the case of a life insurer failing and this life insurer not having sufficient capital to cover for its future promises and the portfolio cannot be transferred, most likely all policyholders lose part of their rights (and future income).

**3.10 EIOPA conducted an analysis to estimate the potential benefits of implementing minimum harmonised IGSs for policyholders.** The analysis employed a formula incorporating Probability of Default (PD) based on historical default probabilities and Loss Given Default (LGD) to estimate potential losses. Based on historical data from the EIOPA database on failures and near misses since 2016, the calculated PD ranged from 0.048% for large companies<sup>22</sup> to 0.206%

<sup>19</sup> 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 amount to 127 billion euros approximately. In addition, information on the percentage of the total cross-border GWP over the total GWP by LoB can be found in the table 6.2 of the Annex.

<sup>20</sup> In the context of an IGS, technical 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.

<sup>21</sup> Claims provision.

<sup>22</sup> Total assets over EUR 12 billion

for small companies<sup>23</sup>. However, calculating a bespoke LGD was not feasible using the same database due to severe data constraints; specifically, estimated losses were reported in only approximately 11% of cases, primarily due to the complexities of the liquidation process, difficulties in quantifying policy parameter changes, and limited data access for supervisory authorities. In the absence of more granular data, the LGD was assumed to be 15% of insurance liabilities, as per a Joint Research Centre study<sup>24</sup>. The estimated losses were approximately EUR 0.51 billion per year - on total assets of 10 trillion euros<sup>25</sup> -, which aligns with the funding requirements for IGSs derived from the JRC report. As the underlying data predates the implementation of the IRRD, it does not reflect the impact that the post-2027 IRRD-framework is expected to have on mitigating policyholder losses. These figures should be viewed in the context of existing IGS frameworks already operational across the EU. Consequently, these figures do not represent entirely "new" funding obligations to be collected, as many Member States already have funds in place. In addition, it is important to note that the actual benefits may be lower than the estimated losses due to potential limitations in compensation. Although the introduction of common minimum IGS standards is expected to have an impact on the insurance industry, with costs including funding needs, operational expenses, and one-off implementation fees that may be passed on to policyholders, these costs could be offset by the benefits of enhanced consumer trust, market integration, and increased insurance penetration.

**3.11 In practice, while the short-term societal impact of insurers' failures may be limited beyond their broader economic effects, such failures can have significant consequences for individual policyholders and particular segments of society.** EIOPA's experience with past failures shows that many life insurance policies hold consumers' lifetime savings, thus leading to significant impact for the affected consumers. Similarly, based on EIOPA's data from its 2022 Thematic Review on credit protection insurance, it is estimated that almost 60% of EEA consumers with a mortgage also hold credit protection policies; therefore, failures of undertakings offering these policies – without sufficient IGS protection – may have some implications for other sectors. Finally, claims falling under the non-life eligible policies identified by EIOPA could also represent substantial financial exposures; consequently, the failure of insurers offering these policies could lead to significant impact on consumers who risk their claims being left unpaid. In the long-term, failure can also significantly erode trust.

**3.12 The importance of IGSs is underscored by the societal and financial costs of insurance company failures, as evidenced by past cases.** The core purpose of an IGS is to provide a safety net against the low-probability but high-impact events. Cases such as Astra Asigurări, Conservatrix and Gefion prove the tangible societal and financial cost of such failures, involving millions of affected individuals, capped payouts, years of legal uncertainty and loss of trust in general.

#### *Impact of the coverage of eligible policies for the insurance sector*

**3.13 The establishment and regulation of IGSs based on common minimum standards would have some economic impact on the insurance industry, primarily in the form of funding, compliance, and operational costs.** These impacts would vary across markets depending on different variables such as the market size and the presence of an IGS already. The Joint

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<sup>23</sup> Total assets up to EUR 0.5 billion

<sup>24</sup> JRC Publications Repository - Insurance Guarantee Schemes: quantitative impact of different policy options

<sup>25</sup> Out of which EUR 2.6 trillion are unit-linked business, based on total assets of solo insurers as of Q3 2025.

Research Centre of the European Commission published in 2021 a technical report<sup>26</sup> presenting a quantitative assessment of several policy options for a possible proposal on the introduction of harmonized rules for IGS. Data from current schemes indicates that annual management and administrative costs for operating an IGS are marginal (close to 0% of covered GWP) in years without an insurance failure. However, final costs will ultimately vary based on the operating and funding model.

**3.14 Minimum common standards for IGS could potentially generate long-term benefits for the insurance industry, but the extent of such benefits would depend on national starting points, market structures, consumer behaviour and the final design of the framework.** The implementation of minimum harmonized IGS offers a safety net that stabilizes the entire insurance ecosystem, directly benefiting insurers by fostering sectorial resilience and consumer trust. While insurers initially bear the cost—which may be partially passed on to policyholders—these expenses could be offset by the long-term economic gains of a standardized framework. However, the extent of this offset will vary depending on the country's starting point, as the costs of establishing and operating an IGS could be more significant for Member States without an existing IGS framework. In fact, standardization can increase consumer confidence and thus insurance uptake as evidenced by a behaviourally informed study performed by EIOPA<sup>27</sup>. By ensuring a uniform level of protection across jurisdictions, harmonization mitigates the risk of "contagion" where a single cross-border failure could trigger a broader collapse in public confidence. The behavioural study suggests that minimum harmonised IGSs may influence consumers' willingness to purchase insurance in certain scenarios. However, the extent to which this would translate into higher insurance penetration, stronger market integration or sustained consumer trust may depend on other factors that influence the insurance purchase decisions mentioned in the study itself. Examples are brand reputation, sales channels, trust in institutions and product features beyond price and protection by IGS. The study is based on choice experiments under specific assumptions that do not necessarily reflect all those relevant market realities.

**3.15 The existing presence of IGSs across many Member States provides a solid foundation for harmonization.** 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 (18 if the Austrian scheme is to be considered also an IGS<sup>28</sup>) that have an IGS, the transition is expected to be more resource- and cost-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. Conversely, the economic impact will require most substantial adjustments in markets where no IGS currently exists or where existing coverage is notably narrower than the eligible policies identified in the EIOPA's 2020 Opinion. While Member States should align with the minimum standards, it is essential to maintain flexibility within the process, allowing them to extend the scope of coverage beyond the harmonized requirements to best suit their national needs.

<sup>26</sup> [JRC Publications Repository - Insurance Guarantee Schemes: quantitative impact of different policy options](#)

<sup>27</sup> To supplement this Advice, EIOPA carried out a behavioural study in 5 Member States with different IGS set ups – including some without IGS. Through this study, it put a representative sample of consumers in front of different scenarios asking them to choose to buy insurance from either a domestic or cross-border provider or from neither of them (i.e., not to buy insurance). The results show that the consumers' group which received the 'treatment' – i.e., they were told and explained in the EU there was a minimum harmonized IGS framework – was significantly less likely to choose the 'neither' option – i.e., they were more likely to buy insurance.

<sup>28</sup> Austria's existing protection system may need to be adapted to meet the IRRD definition of an IGS in future. However, it is already considered in this advice given the fact that it provides some level of protection to policyholders.

**3.16 The assessment validates the insurance policies outlined in the EIOPA's 2020 opinion as eligible candidates for IGS coverage.** Further details on standardization, cross-border business, and economic impact are provided in the Annex. In line with EIOPA's 2020 Opinion, the analysis focuses on the retail policies, including group contracts where the ultimate beneficiary remains the individual consumer. Building on these findings, the assessment validates the insurance policies outlined in the EIOPA's 2020 opinion as eligible candidates for IGS coverage:

- Life insurance: in line with the EIOPA's 2020 Opinion, life<sup>29</sup>, 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)
- Non-life insurance<sup>30</sup>: 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).

**3.17 The practical implementation of IGS coverage involves various technical and regulatory hurdles that require deeper examination.** In line with the minimum harmonisation principle, Member States should retain the discretion to extend IGS coverage to additional policy types based on local market needs. Operationalizing IGS coverage presents some technical and regulatory challenges that would require further analysis. For example, regarding valuation methods for profit-participation policies, and clearly distinguishing insolvency protection from inherent market risk in unit-linked contracts, as well as further exploring the interplay between investor protection schemes and IGs for these types of contracts. In the non-life sector, regarding sickness policies, the framework should take into account the coordination to provide "in-kind" services without duplicating national healthcare systems.

#### b. Reduction of fragmentation in the single market

**3.18 EIOPA conducted a behavioural study in 5 Member States to understand the impact of a minimum harmonized framework for IGS on consumers' behaviour.** The study's primary objective was to assess the impact that a consistent EU-wide protection framework would have 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.

**3.19 The study found that the introduction of minimum harmonized IGSs increases the likelihood of consumers purchasing insurance across various product types.** The results across the three product groups show a general trend: respondents exposed to harmonised IGS information were generally more likely to select one of the insurance options – insurance provided by a domestic insurer protected by IGS or insurance provided by a foreign provider protect by IGS – that were presented in the experiment. Regardless of whether the product was household, health, or life insurance, the introduction of a minimum harmonization for IGSs generally lowered the number of respondents who did not select one of the insurance options presented

<sup>29</sup> Life Lines of Business and risk classes under the Solvency II framework encompass pensions.

<sup>30</sup> Products bundled into comprehensive insurance packages, including non-eligible coverages, should be considered with a focus on the main coverages.

in the experiment. The specific features of this study should, however, be taken into account when interpreting its conclusions. Indeed, the behavioural study relies on experimental, hypothetical consumer scenarios designed to isolate underlying behavioural drivers and potential shifts under a harmonized framework. Such choice experiments provide a specific perspective on market behaviour but are subject to certain limitations. As acknowledged by the study itself, the results are based on stated preferences rather than observed behaviour. In addition, participants may have had varying levels of understanding on IGS, which could have influenced the results. Moreover, not all market realities – such as price, actual coverage, etc. – are reflected in the options presented in the study.

**3.20 According to the mentioned study, minimum harmonized IGSs would enhance consumers' willingness to engage with cross-border insurance providers, especially when offered at competitive prices.** The introduction of minimum harmonised IGSs also could make consumers significantly more open to choosing cross-border providers when prices become more competitive. The study shows that introducing minimum harmonised IGSs may reduce hesitation and make – at equal protection conditions – cheaper cross-border options more attractive. Thus, promoting more choice and fostering competition. The study was limited to just see how consumers react to price in a harmonized and non-harmonized IGS environment with some consumers still preferring the more expensive domestic option in a non-harmonized environment. It must be noted that the establishment and maintenance of such IGSs involve administrative and funding costs- which could be borne by policyholders across the EU- and the reality may vary in certain countries or market segments. More broadly, other factors also come into play in a cross-border context—such as product quality regarding the pricing—whereas the study focused exclusively on the IGS variable.

**3.21 The introduction of minimum harmonized IGSs reduces 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, indicating that minimum harmonized IGSs strengthens consumers' sense of protection when purchasing a cross-border insurance. This is particularly relevant as EIOPA's 2024 Eurobarometer shows that in seven of the ten case-study countries – i.e., where failures occur – consumer distrust of foreign providers is in line or exceeds the EU average of 18%. Consumer home preference may depend on various other factors beyond solvency risk, such as language and legal certainty. While IGS harmonization removes a major barrier, cross-border growth may also require progress across other Single Market dimensions.

#### c. Evaluating different structural set-ups for IGS

**3.22 Despite the presence of IGSs across many European countries, significant divergence persist.** While EU regulations have harmonized key components of the insurance value chain (e.g., solvency requirements, distribution aspects, and the recovery and resolution framework), policyholder treatment during insolvency remains fragmented, leading to inconsistent outcomes. These inconsistent outcomes are particularly an issue for the Single Market given the substantial volume of cross-border premiums. The analysis assesses the advantages and disadvantages of generic, all-encompassing IGS covering all life insurance policies, non-life insurance policies or both and specific, more focused, IGS covering only one type or a selection of policies.

**3.23 A targeted IGS covering specific life and non-life policies is identified as the optimal approach, as it balances robust consumer protection with cost efficiency while minimizing**

**the risk of over-protection.** In alignment with the EIOPA's 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 more targeted approach mitigates the risk of over-protection and avoids extending IGS coverage to products that pose minimal financial hardship. While a targeted framework may offer slightly less breadth than a comprehensive IGS, prioritizing areas of sectorial or individual importance ultimately serves to bolster consumer confidence and ensure market stability.

**3.24 Establishing an IGS that covers all life policies alongside specific non-life policies would be also a suitable option, as it balances policyholder protection with cost efficiency while aligning with objectives to enhance transparency and consumer safeguards.** 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 IGS coverage according to the EIOPA's 2020 Opinion—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 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.

**3.25 The implementation of IGS varies by country, with the number of established schemes ranging from one to several, further increasing the complexity of the overall framework.** A further dimension of diversity in the current implementation of IGSs is discernible in the varying number of IGSs established by different countries. This aspect is inextricably linked to the extent of coverage analysed, yet it also introduces an additional layer of complexity. Notably, a country could decide to cover the eligible life and non-life policies through just one single IGS or multiple IGSs.

## *II. Operational functioning of IGS*

**3.26 EIOPA is requested to assess the appropriateness of minimum common standards for IGSs regarding their operational functioning,** in particular in relation to the following five issues: the trigger moment(s) for IGS activation, the time for the submission of claims, 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. EIOPA's 2020 Opinion focused on the conditions for continuation of policies by IGS.

**3.27 The current landscape consists of a wide range of practices. Therefore, for these issues on the operational functioning of an IGS, a certain level of harmonization is advisable.** However, this level should allow for sufficient flexibility to accommodate a range of scenarios and the specificities of insurance policies that might be covered by an IGS. This is especially true for “timing” related topics, i.e. submission of claims, deadline for payouts and continuation of policies.

### *a. Trigger moment(s) for IGS activation*

**3.28 Regarding trigger moment(s) for IGS activation, current practices vary but most Member States that have an IGS either have insolvency as a trigger or some administrative or judicial decision related to it** (for instance a publication of a decision in the Official Journal, or a court

decision). Other Member States opted for triggers non directly related to insolvency such as withdrawal of the licence of the undertaking, winding-up, the assessment that potential measures are deemed insufficient to protect policyholders etc.

**3.29 Harmonising triggers moments for IGS activation would bring predictability and simplicity of IGSs systems across the EU as well as ensure a relative equality of treatment by avoiding timing differences between policyholders of different Member States<sup>31</sup>.** Another option would be to maintain the current flexibility, allowing Member States to decide exactly when IGS's activation is triggered. 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<sup>32</sup>, harmonising triggers would ensure a relative equality of treatment between policyholders across Europe.

**3.30 Furthermore, there are incentives to align conditions for triggering IGS in insolvency and in resolution.** As explored further in the section on the interaction between IRRD and IGS, it should be ensured that the decision whether to take resolution action or initiate normal insolvency proceedings is based on a pure public interest assessment and not distorted by differences in the conditions for triggering access to IGS between resolution and normal insolvency proceedings. Therefore, in Member States where IGS are allowed to be used in resolution, the conditions to trigger should be aligned between resolution and normal insolvency proceedings, in order to make the funding equally accessible in both scenarios.

**3.31 Based on this assessment, EIOPA is of the view that there are strong reasons to require IGSs across Member States to be activated at the latest when an insurance or reinsurance undertaking is failing or likely to fail, provided that there is no reasonable prospect of this failure being prevented within a reasonable time (conditions of Article 19(1), points (a) and (b) of the IRRD).** Indeed, when those conditions are met, the insurer is at a point of “point of no return” and will either undergo a resolution action (in case the third condition of Article 19(1) of the IRRD is met, i.e. a positive public interest assessment) or the authority will be required pursuant to Article 21 of the IRRD to proceed with its normal insolvency procedure or other proceedings ensuring an orderly exit of the undertaking from the market. IGS activation would apply at this stage both in resolution and insolvency, because it ensures a more consistent protection of policyholders, independently of the necessity of a resolution action. Concretely, a formal procedure to activate the IGS at Member State level when the conditions are met would have to be created and this procedure would have to define the function the IGS has to perform, if any, to ensure that no unnecessary IGS activation would occur. Conceivably, there are situations where the intervention of an IGS would ultimately not be needed, even though the conditions to trigger the IGS are met.<sup>33</sup>

<sup>31</sup> Or within a Member State as it would avoid differences of treatment based on the relevant IGS (*home country principle*).

<sup>32</sup> The home-principle was the underlying assumption by the European Commission in the Call for Advice.

<sup>33</sup> This could, for example be the case where a Member State opts for the option under Article 81 IRRD to use financing arrangements to absorb losses of policyholders, beneficiaries and claimants, and decides, as a part of its implementation, not to use the IGS. Whether and to what extent the IGS is drawn upon in resolution, including as part of the financing arrangement, depends therefore on the national framework. The same applies to some scenarios of solvent-run off or of sale-of-business, when the undertaking or the purchaser will handle the claims. It should therefore be noted that the defined conditions would allow the IGS to act, but not necessarily define 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.

b. Time for submission of claims in compensation cases<sup>34</sup>

**3.32 Current practices related to the timeline for the submission of claims significantly diverge across Member States, with timeframes spanning between a few months up to over a decade. In some Member States, no formal deadline is specified at all.** Moreover, the point in time from when the deadline is to be counted varies significantly (e.g., timeline 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.).

**3.33 Harmonisation would ensure both that policyholders benefit from clear and sufficient time to make their claims and consistency of treatment across the EU,** which is particularly relevant in cross-border cases. Therefore, setting up a fixed timeframe identical in every Member State may appear desirable to some extent. However, flexibility is also important when there is diversity in terms of policy coverage and where there is a need to link the timeframe with national insolvency legislations.

**3.34 Therefore, the introduction of a common 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.** Finally, one last option would be to maintain the current flexibility, allowing Member States to decide exactly what timeline is allowed for the submission of claims.

**3.35 Based on the assessment on these options against the selected policy objectives, EIOPA is of the view that a harmonised timeline allowed for policyholders to make their claims should be set across the Member States.** In this regard, given the extent of potential modifications needed to reach harmonisation (which may not be limited to the insurance sector), the introduction of transitional arrangements should be considered.

c. Deadline for payouts to policyholders in compensation cases<sup>35</sup>

**3.36 Currently, for the Member States with a defined time limit for the IGS to payout policyholders, differences range from a few weeks to three years** but almost all report that the IGS is required to pay in 3 months or less (with potential requests for extension in some cases). Overall, considering some of these policies are key for societal benefits and, hence, non-payment can lead to significant financial hardship, there is a strong interest to ensure beneficiaries receive compensation as quickly as possible (especially for health or income related policies).

**3.37 Two policy approaches are relevant for this topic.** A first option would be to maintain the current flexibility, allowing Member States to decide exactly what timeline is allowed for the IGS to pay policyholders; another option would be to harmonise via a maximum time for payouts to policyholders. It is however important to note that, since claims need to be checked and accepted - and may be disputed - the payout time cannot be based solely on the notification of the claim.

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<sup>35</sup> The question of harmonisation of the timeline 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.

**3.38 Differences in the timeline allowed to policyholders to receive compensation after an insurance failure might lead to unequal treatment between customers that are in similar situations.** However, it is also an area where flexibility is needed due to the wide diversity of policies and the links with national insolvency legislations.

**3.39 Based on the assessment of these options against the selected policy objectives, EIOPA is of the view that setting up a maximum timeline for payouts to policyholders<sup>36</sup>, while leaving to Member States the possibility to define a faster one, would be beneficial for policyholders.** This maximum timeline would have to allow for flexibility if claims are challenged in court<sup>37</sup> and in exceptional cases, for instance if the IGS is overwhelmed by claims<sup>38</sup>. For illustrative purposes, one example of how it could work in practice may be found in Directive 2009/103/EC (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<sup>39</sup>.

#### d. Conditions and timing for continuation of policies by IGS

**3.40 In EIOPA's 2020 opinion, it was 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 role (i.e. that IGSs have to be able to also assume continuation with respect to certain policies<sup>40</sup>) as the optimal IGS intervention depends on the circumstances at hand. IGS can ensure the continuation of insurance policies by funding or promoting a portfolio transfer or by actively taking over and administering the portfolio<sup>41</sup>.

**3.41 Two policy approaches are relevant for this topic.** A first option would be to maintain the current flexibility for Member States; another option would be to harmonise the conditions for continuation of policies by IGS in insolvency or earlier.

**3.42 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- (for continuation during resolution and insolvency) and long-term continuation (especially for products where some policyholders may have difficulty finding comparable coverage with another insurer) for insurance policies where this is relevant from a policyholder-protection perspective.

**3.43 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,**

<sup>36</sup> 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.

<sup>37</sup> In which case the maximum time would start with the acceptance of claims by the competent court.

<sup>38</sup> Other exceptions may be needed, inter alia to take into account national specificities.

<sup>39</sup> 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.

<sup>40</sup> "In principle, paying compensation to policyholders should be the minimum and apply to all national IGSs unless their funds can be used to ensure the continuation of policies with the aim of policyholder protection", as EIOPA's 2020 opinion details.

<sup>41</sup> For more details on the several roles an IGS can perform in the continuation of policies, please refer to section 4 of the Annex.

**beneficiaries and claimants.** This is because discretion and flexibility are needed at national level to take into account as appropriate 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).

#### e. Insolvency ranking

**3.44 After they have at least partially compensated policyholders, IGS 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 the IGS takes over and swiftly pays the claims of the policyholders before recovering funds from the estate of the failed insurer, limits payment delays and procedural complexities that could otherwise result from a payment process in normal insolvency proceedings. In this way, it can also remove the uncertainty of policyholders about the outcome of the proceedings.

**3.45 As for insurance claims, Article 275 of Solvency II organises 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), point (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”<sup>42</sup>;
- Under the other alternative (Article 275(1), point (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”<sup>43</sup>.

**3.46 IGSs, however, do not necessarily enjoy the same level of protection as insurance claims.** Indeed, Article 277 of Solvency II offers to Member State the possibility, where the rights of insurance creditors have been subrogated to a guarantee scheme, that claims by this IGS do not benefit from the provisions of Article 275(1).

**3.47 Placing IGSs at a strong and harmonized insolvency ranking would increase confidence in their financial soundness and therefore in their capacity to compensate policyholders<sup>44</sup>.** It would also provide more fairness in between creditors from various Member States and generally reduce funding needs from the industry or policyholders.

**3.48 Two relevant policy approaches can guide how IGS should be ranked in insolvency.** One option would be to maintain the current flexibility for Member States according to Article 277 of the Solvency II Directive. A second option would be to harmonise the IGS insolvency ranking at current insurance claims level (i.e. in line with the two alternatives to secure claims from insurance contracts prescribed by Article 275(1) of Solvency II).

<sup>42</sup> IAIS, Issues Paper on roles and functioning of policyholders protection schemes (PPSs), December 2023, page 48

<sup>43</sup> Issues Paper, page 47

<sup>44</sup> On top of adequate financing arrangements, please refer to 3.3.

**3.49 Based on the assessment on these options against the selected policy objectives, 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.** This would avoid any added complexity to existing insolvency rankings and would also ensure that policies falling under minimum harmonized IGS coverage – considered more fundamental for society and Single Market – would not have a lower ranking than other non-covered policies. Besides, the proposed option is in line with the flexibility already offered by Article 275 of Solvency II, which would also allow a degree of flexibility for Member States who may continue to give precedence to, say, social security or public bodies over IGSs. Concretely, the proposed option would lead to harmonisation of the formal ranking of IGS claims and improve consistency of IGS ranking across the Single Market. This would however not constitute a full harmonisation of the ability of IGSs to recover claims nor of the exact ranking of IGSs between Member States.

**3.50 Finally, consideration should be given to specific cases where under national legislation different types of insurance claims have a different ranking or where not all insurance claims are covered by the IGS, which might require flexibility in the application of the general rule.** In this regard, EIOPA would like to specify that the possibility to harmonise IGS insolvency ranking immediately below insurance claims could also be a valid policy option. While this option would prioritise the protection of non-covered policyholders, it would significantly decrease the recovery rate of the IGS from the estate.<sup>45</sup>

### *III. Conditions for effective funding of IGS*

**3.51 In EIOPA's 2020 Opinion, EIOPA stated that IGSs should be funded based on ex-ante contributions by insurers, possibly complemented by ex-post funding arrangements in case of capital shortfalls.** Ex-ante funding would also ensure that the IGS has funds already available and can respond quickly to a failure without risking possible pro-cyclical effects to the market. Further work is needed in relation to specific situations where a pure ex-post funding model could potentially work, subject to adequate safeguards. The below analysis builds directly on the requests in the Call for Advice and shapes its focus on the objective to ensure that liquidity is immediately available and that funding needs do not risk financial stability. The policy issues comprise adequate safeguards to ensure that liquidity is immediately available; specific situations which need to be considered for ex-post levy collection; and considerations on combined or hybrid funding.

**3.52 The underlying assumption is that Member States decide on their national funding model.** The following advice and assessment focusses on the conditions and factors, which should be considered as harmonised methodology to mitigate possible liquidity risk for IGS, instead of focusing on imposing a single funding model which is not subject of assessment by EIOPA. Funding arrangements should not aim at uniform institutional design across Member States, but rather at ensuring consistent and effective consumer protection outcomes while reflecting differences in market structure and scale.

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<sup>45</sup> It should be noted that in situations where the IGS is ranked below policyholders, the IGS indirectly also covers the losses of formally non-covered policies, as these receive preferential treatment in recovering funds from the estate of the failed insurer.

a. Adequate safeguards to ensure that liquidity is immediately available

**3.53 Immediate liquidity when an insurer fails is the key challenge for IGS funding, even though insurance failures typically involve a more gradual emergence of claims<sup>46</sup>, 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.

**3.54 Potential measures for liquidity safeguards include emergency borrowing, and credit lines or statutory borrowing powers, which provide rapid access to cash backed by future levies.** Additional support may come from borrowing between IGSs within one Member State if different national IGS cover different lines of business thus not simultaneously affected by one failure. Another safeguard could be given by the failing insurer's assets required by law such as ring-fenced asset portfolios which can be transferred to the IGS. In *ex-ante* funded systems (or hybrid systems with high *ex-ante* portion), collecting additional *ex-post* levies after a failure has occurred can serve as another supplementary safeguard when the funds raised through *ex-ante* contributions are insufficient, considering that immediate liquidity needs are limited in this case and the systemic risk for other failures in this market is low<sup>47</sup>.

**3.55 Three options can be considered for harmonising liquidity safeguards.** The first option maintains the *status quo*, leaving Member States complete flexibility over whether to introduce safeguards and how they are designed. This approach preserves national discretion, but risks continued divergence in the availability, scope, and reliability of liquidity tools. This option also leads to differences in the level of policyholders' protection (both in terms of timing and coverage). A second option would require Member States to establish liquidity safeguards while allowing flexibility regarding their form and scale. Under this model, tools such as operational buffers, credit lines, borrowing powers, or internal resources must exist, but their calibration and design remain nationally determined. This ensures a baseline of preparedness without imposing uniform structures neither overly burden to the sector nor to Member States. A more prescriptive third option would require safeguards, which would comprise credit lines, to meet minimum EU-level standards regarding form and scale. This would ensure that all IGS have credible, timely access to liquidity – regardless of the underlying funding model – supporting more consistent crisis management of IGS funding needs across the EU.

**3.56 Based on the assessment of these options, EIOPA's preferred option is to consider a minimum requirement for Member States to establish liquidity safeguards especially, but not limited to systems that rely on *ex post* funding, while allowing flexibility regarding form and scale.** This option offers the best balance, requiring safeguards while flexibility to choose the most suitable approach according to national specific needs.

<sup>46</sup> Compared with bank failures, which may trigger immediate and acute liquidity needs due to rapid deposit withdrawals, insurance failures may involve a more gradual emergence of claims. However, although insurers may face lower liquidity risk than banks, the insolvency of an insurance undertaking may nevertheless trigger a large number of claims and significant funding needs, also depending on the applicable national insolvency framework.

<sup>47</sup>See for detail following paragraph 'Specific situations which need to be considered for *ex-post* levy collection'.

## b. Specific situations which need to be considered for *ex-post* levy collection

**3.57 *Ex-post* levy collection for IGS, functioning as liquidity safeguard<sup>48</sup>, 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).

**3.58 Two policy options are subject for assessment to highlight those situations which should be considered in the context of *ex-post* levy collection.** The first option maintains the *status quo*, allowing Member States to apply *ex-post* levy collection for example based on political preference or historical practice. A second option would require that any use of *ex-post* levy collection as applied safeguard measure should be grounded on an assessment of market conditions, ensuring the model is applied only where the insurance sector can credibly absorb these levies without threatening market stability.

**3.59 Based on the assessment of these options, it can be concluded that the second option is EIOPA's preferred option: to consider the minimum requirement that any *ex-post* levy collection as safeguard measure should be grounded on an assessment of market conditions.** This option is linking any *ex-post* levy collection to specific conditions to better safeguard financial stability, where needed, while mitigating liquidity shortfalls for IGS. Although it may raise costs for insurers and consumers, especially in cases where *ex-post* funding is not fully suitable and therefore a potential increase in *ex-ante* levy collection needs to be applied as safeguard measure, and requires higher implementation effort compared to the status quo, this minimum requirement ensures a more consistent approach across Member States regarding financial stability and strengthens policyholder protection by mitigating liquidity risk for IGS.

## c. Considerations on combined or hybrid funding

**3.60 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, which could be used to address potential moral hazard, an issue debated in the academic literature<sup>49</sup> – using

<sup>48</sup> See paragraph above 'Adequate safeguards to ensure that liquidity is immediately available'.

<sup>49</sup> For more information on the issue of moral hazard in the context of IGS, see as well the Technical Annex or the background analysis of EIOPA's advice 2020, stating that "(...) the existence of IGSs could lead to moral hazard on the side of insurers or policyholders, as they might become less prudent in, respectively, their risk management and insurer's selection process. These potential negative effects should be

indicators such as regulatory capital requirements like solvency ratios, market penetration, gross technical provisions<sup>50</sup> 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 including annual caps on insurers' contributions<sup>51</sup>, and consistent reporting standards. Insurers' contributions as ex-ante funding dedicated to IGS purposes should as a minimum be separated from general government or institutional budgets for accounting purposes. Minimum harmonisation may involve setting baseline requirements while allowing Member States to refine operational details.

**3.61 Three options can be considered for shaping hybrid funding that combine *ex-ante* and *ex-post* contributions.** The first option maintains the *status quo*, allowing Member States full discretion. While this preserves national flexibility, it does not address whether the chosen percentages ensure credible liquidity or reflect the specific risks of the domestic insurance market. A second option would require Member States to ensure that hybrid funding include a sufficient *ex-ante* component or operational buffer as safeguard measure, but without prescribing the percentage for *ex-ante* funding expressed in minimum target levels leaving these to national discretion. This guarantees a basic level of immediate liquidity while allowing national authorities to calibrate buffers according to their own market characteristics, failure patterns, and levy-collection capacity. A more prescriptive third option would require 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. This ensures that IGS funding maintains sufficient, ready-to-use resources, supporting timely interventions and reducing reliance on potentially procyclical *ex-post* levies. However, higher implementation costs arise, not only potentially for the insurance sector but also for the development of adequate failure scenarios and assessment methodology across the EU.

**3.62 Based on the assessment of the options, it can be concluded that the second option is EIOPA's preferred, i.e. requiring to ensure sufficient *ex-ante* funding or operational buffer as safeguard measure, without specifying the percentage for *ex-ante* funding expressed in minimum target levels allowing national flexibility in determining the appropriate level.** This strikes a balance between improving liquidity readiness on national level and avoiding cost increases associated with the development of EU regulation for fixed EU-wide target levels. Although Option 3 would offer greater clarity and stronger policyholder protection as well as strengthening the internal market, its mandatory harmonised methodology to estimate an IGS specific target level could impose substantial implementation and operational burden, especially given the difficulty of defining a credible mandatory methodology across Member States. 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. A gradual approach focused on national specific assessments and solutions therefore provides a more proportionate and workable path toward harmonised IGS

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acknowledged and taken into account in the technical features of IGSs. The method of setting contributions into an IGS could further mitigate any such moral hazard, e.g. by reflecting the risk profile of each contributing insurer”.

<sup>50</sup> In particular with respect to life insurance policies, gross technical provisions represent the volume of major exposures and should be eligible contribution methods (as provided for in Article 9(2) of the IRRD).

<sup>51</sup> See EIOPA 2020 Opinion for more information on the issue of caps stating that these should be considered but remain a matter for decision by Member States.

funding. Such gradual approach should include transitional arrangements to build up sufficient ex-ante funding or operational buffer over time as safeguard measure.<sup>52</sup>

#### *IV. Interaction between IRRD and harmonized IGS*

**3.63 In addressing the topic of the interaction of IGS with the IRRD there is a challenge in terms of the timing of this Advice and the IRRD's transposition and implementation.** The IRRD will apply from 30 January 2027 and is therefore still being transposed in the Member States. Although the key elements of the national frameworks should be reasonably clear by the time the IRRD becomes applicable in 2027, full implementation will naturally extend beyond that date. As implementation progresses, additional technical details will continue to be developed and refined, providing additional input for any future legislative process concerning the harmonisation of IGS. Particularly impactful in this regard are the choices to be made regarding the institutional design of the NRAs and the financing arrangements required under the IRRD. In addition, it is possible that, as part of the transposition process, adjustments to existing IGSs are already being considered or introduced.

**3.64 Considering this developing context, the advice in this section can only lay out general principles that are important to consider in the design of IGS-harmonization and to a certain extent for some decisions made in the implementation of the IRRD.** The interaction between the IRRD and variants of harmonized IGS raises several structural and operational issues, in particular regarding the institutional setup of national resolution authorities and IGS, the different functions of IGS, the way IGS would share losses in resolution and the IRRD requirement to establish financing arrangements, as particularly mentioned in the CfA. Given the relatively large discretion left by the IRRD to Member States regarding the approach to resolution funding (through different functions and roles of IGS, the establishment of financing arrangements and the institutional set-up) there are two issues that should be addressed: 1) the involvement of IGS in funding and application of resolution and insolvency proceedings; and 2) the levels of coordination and cooperation between National Resolution Authorities (NRAs) and IGS. With this approach all four items specifically requested in the CfA mentioned above are subsumed in the analysis.

**3.65 As stated above, there is an important difference in focus between the application of resolution tools and powers under the IRRD and deployment of IGS to cover policyholder losses.** Where IGS are focussed solely on the protection of policyholders, National Resolution Authorities (NRAs) also need to consider other resolution objectives, most notably the impact on mitigating the impact on the financial stability. The IRRD includes several specific provisions on where IGS could be used in resolution, such as by acting as a bridge undertaking. Therefore, although in principle mandates do differ between NRAs and IGS, a clear separation of mandates is not always self-evident. Furthermore, dependent on the scope defined in Member States, resolution financing arrangements can perform similar functions as IGS for the purposes of mitigating policyholder losses and could also work complementary to an IGS. In principle, and even when IGS are under the control or authority of the NRA, the mandates and allocation of roles and responsibilities between the NRA and IGS should be clearly defined. How IGS and IRRD can interact effectively is the key issue considered in this section.

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<sup>52</sup> See EIOPA's advice 2020: "13.21 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."

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

**3.66 The lack of harmonization of IGS, particularly in term of functions, and the potentially fragmented implementation of the IRRD's financing arrangements requirement across Member States create a risk of divergent outcomes when insurers fail.** In principle, both IGS and resolution financing arrangements can include mechanisms to limit losses for policyholders. In jurisdictions where IGS or resolution financing arrangements can support continuity tools, such as portfolio transfers, policyholders may experience uninterrupted coverage, aligning with the IRRD's objectives. By contrast, in Member States where IGS are limited to payout functions, these cannot contribute to a continuation of policies. This uneven landscape leaves the possibility that similar failures still lead to different levels of protection. Greater alignment of IGS-mandates would help mitigate this risk and would ensure a consistent application of resolution tools, echoing EIOPA's 2020 Opinion favouring both compensation and continuation functions to safeguard policyholders. It should be noted that, both in resolution and normal insolvency proceedings, IGS intervention is always primarily aimed at policyholder protection, by either preventing or limiting losses to be borne by policyholders in the first place or by compensating for them afterwards. The proposal to harmonize the trigger for IGS-activation at the point when the first two conditions of Article 19(1) of IRRD are met<sup>53</sup>, captures the principle that any supervisory and recovery options to prevent the failure and subsequent losses to policyholders are already exhausted.

**3.67 The issue of potential divergence in funding capabilities between resolution and normal insolvency proceedings is especially relevant in light of the public interest assessment (PIA), which NRAs need to perform to decide whether a failing insurer is taken into resolution or will be wound-up under normal insolvency proceedings.** A significant difference in funding capabilities available in resolution compared to insolvency proceedings impacts the PIA. Without external funding (from a potential buyer, an IGS or the resolution financing arrangement), the only way to fund resolution is the application of the write-down and conversion tool, which in most cases is expected to result in losses for policyholders, which seems to go against the objective of policyholder protection. One way to address this, is the IRRD's safeguard of the 'no creditor worse off' (NCWOL) 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.

**3.68 An IGS's ability to support resolution depends heavily on its mandate and design.** Indeed, an IGS can perform a range of different roles and functions, differing also in the extent of active involvement, including:

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<sup>53</sup> See paragraph 3.31.

- Pay-out to policyholders after failure (passive)
- Funding a portfolio transfer to a buying entity (active)
- Funding a portfolio transfer to a bridge undertaking (active)
- Acting as bridge undertaking (most active)
- Manage portfolio in solvent run-off (most active).

**3.69 IGS 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. Strengthening mandates, legal powers, and operational capabilities would enable IGS to contribute more proactively. Their practical experience also makes them valuable in resolution planning, offering insights into payouts, data needs, and operational constraints. In principle, the combination of IGS and resolution financing arrangements should be designed in such a way that overlap is avoided, available resources can be used as efficiently as possible, and the choice between resolution or insolvency is not impacted.

**3.70 Three policy approaches can guide how IGS should relate to resolution.** One option is to maintain the current flexibility, allowing Member States to decide the extent of IGS involvement without harmonized conditions. A second option would require that, where the IGS and resolution financing arrangement cannot support the continuation of policies, there should at least be the possibility for the IGS or resolution financing arrangement to make an advance payment for the benefit of policyholders in resolution (after the second valuation in resolution), to ensure policyholders that would have been covered by the IGS in normal insolvency proceedings, are compensated for any losses swiftly and do not need to await the NCWOL-compensation procedure. This would also mitigate the impact on the PIA, as policyholder protection in resolution is strengthened further. A more far-reaching third option would require IGS and/or resolution financing arrangements to be fully functional within resolution. It means that the IGS and/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.

**3.71 Considering the transposition and 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.

#### b. Institutional set-up and arrangements: levels of coordination and cooperation between NRAs and IGS

**3.72 The IRRD requires each Member State to designate an NRA without referring to the institutional design of IGS, resulting in diverse configurations.** These structural differences influence how effectively NRAs and IGS coordinate during resolution, how quickly IGS can act,

and how predictable the framework is for cross-border groups. While both institutions aim to protect policyholders, NRAs must balance this with other resolution objectives, i.e. maintaining financial stability, protecting public funds, and preserving critical functions, which may lead them to choose tools that do not always maximize policyholder outcomes. IGS, by contrast, focus solely on policyholder protection through continuity or compensation and follow the NRA's selected resolution strategy.

**3.73 Coordination challenges arise when NRAs and IGS operate under separate governance structures, as funding mobilisation may require statutory procedures that delay action.**

Effective resolution planning therefore requires clarity on the IGS' availability and capabilities, including funding capacity, operational constraints, and speed of mobilisation. Although the IRRD allows shared administrative structures between IGS and financing arrangements, many existing IGS were designed before the IRRD has been developed and vary widely in their mandates and funding models. These gaps, especially limited powers and functions, relatively slow governance processes, and divergent funding arrangements can hinder timely, coordinated intervention and reduce the consistency of policyholder protection across the EU.

**3.74 Three options can be considered for structuring cooperation between NRAs and IGS.**

The first maintains full national flexibility, requiring only that Member States ensure effective cooperation and coordination, including alignment of financing arrangements, while leaving the institutional set-up and practical organisation entirely to national discretion. A second option preserves this flexibility but introduces a clear requirement for formal cooperation arrangements between NRAs and IGSs. These arrangements, set out in legislation or memoranda of understanding, would define roles, responsibilities, and information-sharing processes, providing greater predictability, though potentially challenging in Member States with dormant or multiple IGS. A third more prescriptive option would, like the second option, involve a close relationship between NRA and IGS, but with stricter requirements on the nature and establishment of that relationship. This would entail the institutional embedding of the IGS within the NRA or at least a set-up in which the NRA has a degree of control over the IGS, also to let the IGS be fully involved in the NRA's resolution planning activities. This option aims to ensure continuous coordination, faster decision-making, and improved policyholder protection, albeit with significant structural implications for some jurisdictions.

**3.75 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 transposition and 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.

## 4. EIOPA'S ADVICE: OVERVIEW OF PREFERRED POLICY OPTIONS

| Policy issue                                                                           | Option best capable of achieving the policy objectives                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>General questions about the impact of harmonized IGS</i>                            |                                                                                                                                                                                                                                                                           |
| Scope of coverage                                                                      | EIOPA validates the insurance policies outlined in the EIOPA's 2020 opinion as eligible candidates for IGS coverage including specific lines of life and non-life business.                                                                                               |
| <i>Operational functioning of IGS</i>                                                  |                                                                                                                                                                                                                                                                           |
| Trigger moment(s) for IGS activation                                                   | EIOPA's preferred option is that IGS to be activated at the latest when an insurance or reinsurance undertaking is failing or likely to fail and there is no reasonable prospect of this failure being prevented within a reasonable time.                                |
| Claims submission                                                                      | EIOPA's preferred option is to set a harmonised timeline allowed for policyholders to make their claims.                                                                                                                                                                  |
| Payout deadlines                                                                       | EIOPA's preferred option is to set up a maximum timeline for payouts to policyholders, while leaving to Member States the possibility to define a faster one.                                                                                                             |
| Continuation of policies                                                               | EIOPA's preferred option is that conditions and timing for continuation of policies to be harmonised only on the guiding principle of protection of the interest of policyholders, beneficiaries and claimants.                                                           |
| Insolvency ranking                                                                     | EIOPA's preferred option is to rank IGS at the same level as insurance claims according to the option that each Member State decided to follow under article 275(1) of Solvency II.                                                                                       |
| <i>Conditions for effective funding of IGS</i>                                         |                                                                                                                                                                                                                                                                           |
| Liquidity safeguards                                                                   | EIOPA's preferred option is to establish liquidity safeguards while allowing flexibility regarding form and scale.                                                                                                                                                        |
| Ex-post levy collection                                                                | EIOPA's preferred option is that any ex-post levy collection as safeguard measure to be grounded on an assessment of market conditions.                                                                                                                                   |
| Funding model                                                                          | EIOPA's preferred option is to ensure sufficient ex-ante funding or operational buffer as safeguard measure, without specifying the percentage for ex-ante funding expressed in minimum target levels allowing national flexibility in determining the appropriate level. |
| <i>Interaction between IRRD and harmonized IGS</i>                                     |                                                                                                                                                                                                                                                                           |
| Involvement of IGS in funding and application of resolution and insolvency proceedings | Considering the ongoing implementation of the IRRD and the subsequently unclarity and diversity of the specific implications in Member States, EIOPA abstains from providing a preferred option.                                                                          |
| Institutional set-up: coordination and cooperation of NRAs and IGS                     | EIOPA's preferred option is to include at least a requirement for formal cooperation arrangements between NRAs and IGSs, to safeguard a reasonable degree of cooperation and coordination.                                                                                |

## 5. CONCLUSION

- 5.1 This advice and corresponding annex were developed in response to the call for advice by the European Commission.** The advice provides a package of policy options for areas identified by the call for advice on minimum standards for harmonisation of IGS in the EU for further political consideration. The assessment seeks to balance in a proportionate and effective approach policyholder protection, Single Market considerations, operational readiness under the IRRD and the need to avoid excessive burden on insurers, markets and society. The approach focuses on targeted harmonization in line with the minimum harmonisation principle, intervening where it matters most (coverage, triggers, funding, coordination) and preserving national flexibility where appropriately needed (institutional structures).
- 5.2 The data, which was collected by EIOPA for this advice from National Authorities, shows that policyholders have experienced material losses in a number of cases<sup>54</sup>.** The presence of an IGS may, depending on its scope, coverage level, funding and operational design, have reduced losses for policyholders in certain cases. Better transparency to consumers on protected policies should also be achieved.
- 5.3 The additional costs for the sector depend on many factors and most notably the main 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. These costs also naturally depend on whether an IGS already exists in that Member State and, if so, to what extent it already meets the minimum harmonisation requirements. On the other hand, potential additional costs could be counterbalanced by a potential increase in consumers' decision for insurance products, assured to be equally protected as for other financial instruments in case of failure.

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<sup>54</sup> This conclusion should be read in light of the limitations of the available data, the assumptions underlying the quantitative estimates and the fact that the IRRD has not yet been implemented.