

Comments Template on EIOPA-CP-18-003 Discussion Paper on Resolution funding and national IGSs		Deadline 26/10/2018 23:59 CET
Name of company:	Insurance Sweden (Industry Association) (Sweden)	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. Please indicate if your comments should be treated as confidential, by deleting the word "Public" in the column to the right and by inserting the word "Confidential".	Public
<p>Please follow the instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. <p>Please send the completed template, in Word Format, to CP-18-003@eiopa.europa.eu by 26 October 2018. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the questions correspond with the questions included in the Discussion Paper.</p>		
Reference	Comment	
General comments	<p>Insurance Sweden (henceforth we) welcome the opportunity to comment on EIOPA's discussion paper.</p> <p>As a member of Insurance Europe, we overall share the views expressed in the consultation response submitted by that association. We would however wish to both highlight and elaborate a bit further on some issues.</p> <p>Insurance Sweden's view is that IGS should not be introduced in Sweden. We, therefore, strongly support maintaining status quo and are strongly against introducing a network of</p>	

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	<p>national IGS in EU.</p> <p>In our response, we focus on the more general questions, i.e. questions 1 and 4 - 6. Thus, we do not respond to the questions in the discussion paper that relate to the potential design features if a network of national IGS would be introduced. However, we would like to stress the importance that national authorities should be allowed significant flexibility to choose the features that best suit their market, to reflect that there are important differences between Member States regarding e.g. the social welfare system, the winding-up process for insurers, type of insurance companies (mutuals etc.), and insurance products lines. Thus, the scope and design of IGSs should be left at the national level completely.</p>	
<p><i>Q1- Do you have any comments to the analysis on the potential problems of the existing situation?</i></p>	<p>In addition to Insurance Europe’s reply on this question, we would like to add the following.</p> <ul style="list-style-type: none"> • We disagree with the statement in the discussion paper that there is a major problem with lack of consumer confidence in the insurance market. In addition, the consumer confidence will increase in the forthcoming years since the Insurance Distribution Directive (IDD) has entered into force. Consumer confidence relies mostly on policy terms, conditions and claims handling. For example, the reasons for not having an insurance at all or otherwise underinsuring are not caused by the lack of IGS but usually poor overall understanding of probabilities of risks or the lack of sufficient funds to buy an insurance. The costs of IGS would make insurances even more difficult to acquire for those individuals with insufficient means. • We also do not agree that there is a major problem with consumer protection in the insurance market. This has already been dealt with sufficient means in Solvency II. The supervisory authorities will be able to intervene at a much earlier stage than before. Further regulation will not solve the challenges of insufficient supervision at the initial 	

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stages of an insurer's irregular performance. On the contrary, IGS may weaken the constant attention on the part of the supervisory authorities and the incentive for early intervention. Thus, rather than considering new rules for IGS, existing tools and powers should be fully used and resources adequately assigned towards a proper enforcement of Solvency II.

- Most of the problems presented in the discussion paper seem more or less relate to cross-border situations. There should be an assessment of those characteristics of cross-border business rather than requiring that the Member States have IGS. There should be ways to tackle those problems at a much earlier stage, for example by strengthen the Colleges of Supervisors. Main risk factors indicating future problems usually include fast growth, considerably low prices, unusual terms and a narrow range of products.
- The Swedish case study in Box 4 is used as an example of such cross-border situation. However, we think that this does not serve as a valid argument for IGS for the following reasons:
 - In the end, the insurer did not fail. Therefore, there is no way of knowing if the Swedish policyholders would have been damaged and by how much had there been an actual failure.
 - The description in Box 4 of the liquidation process is not accurate. In the case of the liquidation of a Swedish insurer, Swedish policyholders would have priority rights to the registered assets covering the technical provisions and not to the whole assets, as the case study states. The case study seems to imply that policyholder protection is inferior when priority rights are on the registered assets. In fact, policyholder protection is at least as strong in this situation as when the rights are on the whole assets, as evidenced by the fact that Solvency

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	<p>II, as well as earlier insurance directives, places these two situations on equal footing.</p> <ul style="list-style-type: none"> ○ As the origin of the insurer is not known, it is hard to say how general this problem could be. 	
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Q3		
<p>Q4- <i>Do you have any comments on the arguments in favour of maintaining the status quo? Are any relevant aspects missing?</i></p>	<p>We think that the arguments presented in EIOPA’s discussion paper in favour of maintaining the status quo are relevant and important. We would like to add some considerations in addition to those highlighted by Insurance Europe</p> <ul style="list-style-type: none"> • The risk of moral hazard effects caused by IGS should not be taken lightly. Insurance is all about assessing risks and moral hazard effects can influence this mechanism. One such risk if there are IGS is that new, less serious, insurers may enter the markets focusing on low premiums and not always acting in the most prudent way knowing that customers would not be affected by a failure. Such insurers may even highlight the existence of an IGS in their marketing towards potential customers. A fundamental problem with IGS is that it will be the well-managed and stable insurance companies that ultimately will have to pay for the costs caused by less stable and less serious insurance companies. 	
<p>Q5- <i>Do you have any comments on the arguments in favour of a European network of national IGSs? Are any relevant aspects missing?</i></p>	<p>As Insurance Europe, we think that many of the arguments in favour of IGS in the discussion paper are not valid, for example</p> <ul style="list-style-type: none"> • In the discussion paper there is no discussion of how and why IGSs would increase financial stability (it’s only stated that it will). On the contrary, we believe that the introduction of IGSs to small and concentrated markets, such as the Swedish market, could lead to severe contagion risk since the IGS would increase the interdependence 	

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	<p>between the insurers. Thus, this will have a negative impact on the financial stability.</p> <ul style="list-style-type: none"> We think that only consumer protection can be a valid argument in favour of IGS. However, IGS may create a false feeling of safety, as policyholders would probably not be fully protected. Nor would taxpayers be completely shielded from covering the gaps through government intervention. In addition, due to the differences in national markets, e.g. social welfare system and winding up proceedings, the scope and design of IGSs should be left at the national level completely. 	
<p>Q6 - Do you have any comments on the conclusions of EIOPA?</p>	<p>We disagree with EIOPA's conclusion that EU harmonization regarding IGS would benefit the policyholders and the financial stability.</p> <ul style="list-style-type: none"> Arguments against clearly outweigh the benefits of the harmonization of IGSs (see also the reply from Insurance Europe on this question). For example, lower contagion risk (which could actually be increased by the creation of IGS in small and concentrated market such as the Swedish) and already existing policyholder protection mechanisms speak clearly against the harmonization of IGSs. In some Member States, there might be a need for IGS for some type of insurance, but in others it may be even harmful to the functioning of the market for the same type of insurance. Good internal governance and control, appropriate capital requirements and effective supervision are much more important to good policyholder protection than IGS harmonization. In fact, if these elements are in place, we think that IGSs are not necessary. Thus, enhanced and efficient supervision (including in cross-border cases) would be the most efficient way to improve policyholder protection and not IGS. We believe that the insurance market can generate much more efficient voluntary schemes and other types of solutions if there would be a need to increase policyholder protection. These alternative solutions should be considered as an alternative to EU level regulation on IGS. 	
<p>Q7</p>		

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