Nordic insurers are strongly against common standards of IGS

The Nordic insurance industry (Insurance Sweden, Finance Finland, Insurance & Pension Denmark, Finance Iceland, and Finance Norway) is strongly against any common standards for Insurance Guarantee Schemes (IGS) and, thereby harmonization at EU-level. Introducing common standards for IGS will run counter to the European Commission's commitments to simplify and reduce burden of regulations, without any evident benefits for Nordic policyholders nor for the financial stability in the Nordic region. New legislations should only be added when it is truly necessary, which is not the case for common standards for IGS.

The increased burden and corresponding costs will specifically be high for those countries that have not seen any need for IGS. However, it will also be harmful for those countries that currently have IGS as they would have to make costly changes of their IGS in line with the common standards. These costs would lead to increased premiums for policyholders, risking a reduction in the level of overall insurance protection.

IGS should be decided by the Member States, not by EU legislation

There may be valid reasons for IGS in some Member States; however, these reasons do not apply everywhere. Moreover, minimum common standards of IGS will not provide uniform treatment of policyholders across the EU. There will still be national differences in terms of what each IGS covers, due to potential "topping up" and extension of the coverage of the schemes in the individual Member States, as well as differences in e.g. national welfare and tax systems. As there are great differences between the insurance markets within the EU, any decision to establish an IGS or to change the design of existing IGS must be left to the Member States based on what is best suited to each market.

Even among markets that are as homogeneous as the Nordic insurance markets, there are major structural differences in the current IGS that would lead to significant administrative burdens and large unnecessary costs in case of a harmonized approach. This shows that IGS are only effective when decided and governed at national level.

More efficient ways to handle cross-border issues than IGS

Even though many Nordic insurance companies (some of them are part of Nordic cross-border groups) provide cross-border insurance policies in other Nordic countries, there has been no discussion about harmonization of IGS in the Nordics. This is largely due to the good collaboration among the Nordic national supervisors.

Instead of harmonization IGS, it is much more efficient:

- to enhance collaboration between the Member States' national supervisors (which the supervisors already do to some extent, especially for cross-border groups).
- to ensure that the Solvency II framework, which provides strong consumer protection, is fully implemented in all Member States. This protection will become even stronger when the amendments to Solvency II ((EU) 2025/2) enter into force 30 January 2027, particularly through enhanced supervision of insurance companies conducting cross-border business and strengthened supervisory cooperation.
- to prioritize preventive supervisory efforts across the EU, especially increased monitoring of cross-border insurers with rapid growth, unusually low premiums, or narrow product ranges.

Guidance instead of harmonization

Harmonization of IGS would lead to unjustified burdens and unnecessary costs. To avoid these burdens and costs, it is key to maintain national discretion regarding IGS at least on the establishment, product and policyholder scope, compensation limits, funding (ex-ante/ex-post), and contribution methods.

The current regulations for insurance companies, especially Solvency II, ensure high levels of policy holder protection across all EU countries. Despite this there could be a need in some Member States to have IGS due to, for example, greater reliance on insurance linked to their welfare systems or that some insurance policies are mandatory. However, the existence of IGS in some Member States does not justify requiring that all countries must have it and that they must be harmonized in respect of e.g. insurance policies covered and the funding.

Instead of harmonization, the European Commission could provide good practice guidance on IGS. Such guidance could be very helpful for those Member States who want to introduce or expand their IGS. There are good recent examples when the Commission has developed good practice guidance in the context of the Savings and Investment Union, for example the blueprint of savings and investment account and the recommendation on auto-enrolment of occupational pension.

If the EU nonetheless decides to introduce minimum common standards for IGS, MS must have wide flexibility to design systems suited to their markets, deciding which products and policyholders to cover and how to fund the scheme. Such flexibility is essential to reflect the diversity of insurance markets and welfare systems across Europe and to minimise the new regulatory burdens.