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Insurance Union's missing third pillar: can the EU passport insurance without passporting policyholder protection?

QuickTake

Europe has spent more than a decade building increasingly European rules for the insurance sector. **Solvency II** provides the prudential architecture. The **Insurance Recovery and Resolution Directive (IRRD)** now adds a harmonised framework for managing insurer failure. Yet what happens to policyholders when those mechanisms are no longer sufficient remains substantially dependent on national geography.

On 1 September 2026, the European Insurance and Occupational Pensions Authority (**EIOPA**) published its final technical advice to the European Commission on minimum common standards for **Insurance Guarantee Schemes (IGSs)**.[1] EIOPA's conclusion is deliberately incremental: the EU does not need one centralised European insurance guarantee fund. It does, however, need considerably greater convergence between national schemes on coverage, activation, claims, payouts, liquidity and their interaction with resolution.

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[1] Details available here.

The significance goes beyond consumer protection. An insurer authorised in one Member State can use its European passport to write business across much of the EU. The protection available to the customer if that insurer fails may nevertheless depend upon where the insurer is established, where the risk is situated, whether the host Member State operates an IGS and how the relevant national scheme is designed. EIOPA describes this as a structural imbalance: the Single Market operates for insurers but does not yet produce equivalent protection for policyholders following resolution or insolvency.

The following will likely remain key issues:

1. ***IGS harmonisation should no longer be treated as an isolated consumer-protection initiative***. Read together with Solvency II and IRRD, it could become the missing safety-net component of an emerging European **Insurance Union** architecture.

2. The difficult questions are increasingly **cross-border and institutional rather than simply quantitative**. Which scheme protects a policyholder where insurance is passported? Who funds continuity or compensation? How should an IGS interact with a national resolution authority (**NRA**)? Should the resources available depend upon whether an insurer enters resolution rather than ordinary insolvency?

3. ***The legislative discussion remains open***. Article 98 IRRD requires the Commission, after consulting EIOPA, to report to the European Parliament and Council by **29 January 2027** on the appropriateness of minimum common IGS standards and, where appropriate, accompany that report with a legislative proposal. EIOPA's advice matters precisely because the political architecture has not yet been fixed.

For insurers, the question is no longer whether the EU will harmonise IGSs. It is how much of the economic and institutional architecture of insurer failure will ultimately become European—and how much will remain national.

Five developments that matter most

1. Europe may be moving towards a three-layer Insurance Union architecture

The EU has progressively harmonised the beginning, middle and now much of the end of an insurer's regulatory lifecycle. Solvency II provides a common prudential regime and the basis upon which an insurer authorised in one Member State can conduct business elsewhere in the Single Market. IRRD introduces common recovery and resolution concepts, tools and powers for failing insurers. What remains fragmented is the final layer of protection when policyholders face losses notwithstanding supervision, recovery and resolution.

EIOPA expressly notes that insurance remains the only major retail financial sector without comparable minimum harmonisation of guarantee schemes at EU level: banking has the Deposit Guarantee Schemes Directive (**DGSD**) and investment services have the Investor Compensation Schemes Directive.

What to consider now: firms should treat IGS reform together with Solvency II and IRRD implementation rather than as a separate consumer-protection workstream. The interaction between the three frameworks will determine the eventual economics of failure management.

2. The passport/protection mismatch has become the central Single Market issue

The most important proposition in EIOPA's advice is not one of its detailed technical recommendations but the diagnosis underlying them. An insurer may operate across borders on the basis of a single authorisation, but policyholders do not necessarily receive a convergent level of protection when that insurer fails. Cross-border coverage may depend on the location of the insured risk, the policyholder's residence, the insurer's home Member State and the territorial reach of the relevant national IGS.

EIOPA points to past failures in which policyholders purchasing effectively the same product from the same insurer received different protection because of national IGS arrangements. It also identifies circumstances in which consumers resident in a Member State with an IGS may purchase online from a passporting insurer established in another Member State and wrongly assume that their domestic scheme protects them.

This becomes increasingly significant as the EU seeks to deepen the Savings and Investments Union (**SIU**) and encourage households to allocate more savings towards investment and insurance products. Greater cross-border distribution without greater convergence of failure protection risks integrating distribution faster than protection.

What to consider now**:** cross-border insurers should map IGS coverage to actual distribution footprints rather than analysing the home-state scheme in isolation.

3. EIOPA favours targeted harmonisation, not an insurance equivalent of a single European deposit fund

EIOPA does not recommend complete uniformity. Its preferred architecture remains a network of national IGSs operating subject to common minimum standards, with Member States retaining considerable discretion concerning institutional design, additional coverage and calibration of funding.

The proposed baseline would nevertheless extend materially into matters that today differ across national regimes: EIOPA recommends common approaches to eligible policies, activation triggers, claims-submission periods, maximum payout periods, insolvency ranking and minimum liquidity safeguards.

For eligible coverage, EIOPA validates the categories identified in its 2020 Opinion. These include substantial parts of life, savings and health business and, for non-life insurance, specified property, liability, accident, suretyship and sickness risks. Member States could go further nationally.

What to consider now**:** the emerging model is minimum harmonisation with national optionality above the floor. For groups operating across several Member States, the compliance question will therefore be both the European baseline and the national overlays that survive above it.

4. Funding is becoming an operational-resilience question, not simply a levy question

EIOPA stops short of prescribing a common EU funding percentage. Its preferred approach is to require adequate liquidity safeguards, combined with sufficient ex-ante funding or an operational buffer, while allowing Member States to determine the appropriate scale in light of national market conditions. Where ex-post levies are used as a safeguard, EIOPA considers that their use should be supported by an assessment of market conditions rather than assumed to be available irrespective of sectoral stress.

That distinction matters. An IGS legally entitled to raise contributions eventually but unable to mobilise liquidity at the point of failure may be ineffective precisely when policyholders require protection. It also raises a procyclicality issue: a system relying heavily upon post-failure contributions from surviving insurers may work for an idiosyncratic failure but become materially more difficult where insurers are simultaneously affected by interest-rate movements, catastrophe losses or another common shock.

What to consider now**:** insurers should model IGS reform as a potential funding and liquidity cost, including the interaction between ex-ante contributions, ex-post levies and existing national arrangements. The ultimate burden is likely to vary materially between Member States.

5. The hardest question is the boundary between IRRD resolution and IGS protection

EIOPA is most cautious where IGS reform meets IRRD—and that caution is important. IRRD applies from 30 January 2027 and Member States are still determining aspects of their national resolution architecture. EIOPA therefore declines to recommend a single model for the role IGSs should play in funding resolution.

The underlying problem is nevertheless clear. An IGS may merely compensate policyholders after failure. Alternatively, it may fund a portfolio transfer, support a bridge undertaking, itself act as a bridge undertaking or manage a portfolio in solvent run-off. These are very different institutional functions.

If one Member State has an IGS capable of financing continuation while another provides only post-insolvency compensation, materially similar insurer failures could still produce different outcomes after IRRD has been fully implemented. EIOPA consequently recommends, at a minimum, formal cooperation arrangements between NRAs and IGSs, including sufficiently clear roles, responsibilities and information-sharing arrangements.

What to consider now: IRRD implementation and IGS design cannot sensibly proceed as separate projects. The resolution plan needs to know what resources and operational capabilities the IGS can actually provide.

The architectural issue: supervision, resolution and protection do not yet travel together

The EIOPA advice becomes clearer when the EU insurance framework is viewed institutionally rather than instrument by instrument.

Solvency II Europeanised market access

Solvency II rests upon home-state authorisation and the European passport. An insurer authorised in one Member State can establish branches or provide services into other Member States without obtaining a separate prudential licence in each jurisdiction. That architecture assumes that the insurer is sufficiently European for market access purposes; it does not follow that policyholder protection following failure has become equally European.

EIOPA records that cross-border business represented approximately 11.8% of total EEA gross written premiums at the end of 2024, with direct cross-border premiums of approximately EUR 127 billion. Non-life business accounted for around 59% of those direct cross-border premiums, while unit-linked and index-linked insurance alone accounted for approximately 27% of total direct cross-border business. This is therefore no longer a marginal problem confined to unusual passporting structures.

IRRD Europeanised the toolkit for failure

IRRD supplies a harmonised framework of recovery and resolution powers and requires designated NRAs to plan for insurers whose failure could justify resolution rather than ordinary winding-up.

Yet IRRD is minimum harmonisation and implementation remains national. The relevant NRA is national. Resolution financing arrangements may differ. Existing IGS structures differ. National insolvency law remains relevant.

The result is a potentially unusual architecture: European rules increasingly determine how an insurer may operate and how authorities may resolve it, while the financial resources available to protect policyholders can remain nationally contingent.

IGS harmonisation therefore concerns much more than paying claims following liquidation: it determines whether the common resolution toolkit can produce reasonably common policyholder outcomes.

Passporting the insurer without passporting the protection

This will likely become the most politically important part of the debate. A customer ordinarily buys an insurance product, not a regulatory structure. The customer may not know whether the insurer is domestically authorised, operates through a branch or provides services cross-border.

EIOPA considers that policyholders cannot reasonably be expected to understand those distinctions and suggests clearer disclosures of whether, and to what extent, a policy benefits from IGS protection. For insurers and distributors, this has immediate implications. Product documentation, key information documents (KIDs), point-of-sale processes and intermediary disclosures under the Insurance Distribution Directive (**IDD**) may all require review. Digital and cross-border distribution models are particularly exposed: where a customer completes an online purchase from an insurer passporting from another Member State, the current disclosure framework may not adequately communicate the protection position.

Disclosure, however, only addresses part of the problem.

If two customers in different Member States purchase the same product from the same passporting insurer but receive materially different protection when it fails, the regulatory distinction becomes difficult to reconcile with the policy objective of a genuinely integrated insurance market.

The EU has harmonised national deposit-guarantee systems through DGSD but has still not completed the proposed European Deposit Insurance Scheme (**EDIS**). IGS harmonisation is starting from further behind. EIOPA is not proposing an EDIS for insurance. It is proposing common minimum standards for national schemes. Nevertheless, the direction of travel is comparable in one important respect: market integration ultimately creates pressure for convergence in the protection available when a regulated institution fails.

Learning from DGSD: the banking experience

The EU harmonised national deposit-guarantee systems through the Deposit Guarantee Schemes Directive (**DGSD**), but that experience offers cautionary lessons. DGSD took years to implement fully, with divergent national transposition creating ongoing friction. The proposed EDIS—intended to mutualise deposit protection at European level—remains politically stalled more than a decade after the Banking Union was launched. If IGS harmonisation follows a similar trajectory, minimum standards could be agreed relatively quickly while deeper integration proves considerably harder.

Cross-border payout mechanics under DGSD also revealed operational complexity: determining which scheme responds, coordinating information exchange and ensuring timely compensation across jurisdictions proved more difficult in practice than the legal framework anticipated. EIOPA’s recommendations for formal cooperation arrangements between NRAs and IGSs reflect awareness of these difficulties.

Past insurer failures: the cases that shaped the debate

EIOPA's diagnosis is grounded in concrete experience. The Danish non-life insurer Alpha Insurance (2018) wrote motor and liability business across multiple Member States before entering bankruptcy. Policyholders in Denmark benefited from the Danish IGS; those elsewhere faced materially different outcomes depending on whether their host state operated a scheme and whether it extended to cross-border business.

Similarly, Gable Insurance AG—authorised in Liechtenstein but writing substantial UK construction-sector business—failed in 2016, leaving UK policyholders without domestic IGS protection because the insurer was not UK-authorised. The Enterprise Insurance Company (Gibraltar, 2016) and Setanta Insurance (Malta, 2014) raised comparable questions about passported business and the limits of home-state protection.

These cases illustrate why EIOPA characterises the current framework as structurally imbalanced: the passport enables market access, but protection remains contingent on where the insurer happens to be authorised rather than where the policyholder is situated.

Coverage: where should the European floor sit?

EIOPA's preferred model is selective rather than universal, validating the policy categories identified in its 2020 work as candidates for minimum IGS coverage. On the life side these include life, savings and health policies, with a limited exception for marriage and birth assurance. On the non-life side the proposed categories include fire and other property damage, general liability, accident, suretyship and sickness insurance.

The economic reach could be substantial. EIOPA estimates that the policies identified in its earlier work represent approximately 90% of total life technical provisions through savings products and around 64% of non-life technical provisions. That does not mean that every loss would be guaranteed in full—important policy decisions remain around eligible claimants, coverage levels, caps, exclusions and geographical reach—but the eventual European baseline could cover economically significant parts of the insurance market.

For firms, three questions will likely matter in particular.

1. ***Geographical allocation***: a European minimum standard still needs a rule determining which national scheme responds to passported business.

2. ***Minimum versus maximum harmonisation***: if Member States may provide materially more generous protection than the European floor, competitive and disclosure differences may remain.

3. ***Product classification***: groups will need reliable mappings between products, Solvency II lines of business and the categories ultimately selected for IGS protection.

EIOPA recommends a harmonised insolvency ranking for policyholder claims, but national insolvency law will remain relevant in several respects. The precise ranking of IGS subrogation claims against other creditors varies across jurisdictions. Insurance-specific winding-up regimes interact differently with general corporate insolvency proceedings. The treatment of cross-border branches—particularly whether the home or host insolvency regime governs—can determine which creditors are paid and in what order.

Interaction with national insolvency law

For groups with complex legal-entity structures, these questions are not academic. The allocation of losses between policyholders, IGSs, senior creditors and shareholders may depend upon which insolvency regime applies—and that may differ depending on whether the insurer enters resolution under IRRD or ordinary winding-up under national law.

Triggering protection earlier

One of EIOPA's more consequential recommendations concerns when an IGS should become available. The preferred trigger is no later than the point at which the undertaking is failing or likely to fail and there is no reasonable prospect that failure can be prevented within a reasonable time. This links IGS activation conceptually to the first two conditions in the IRRD resolution framework rather than waiting for completion of ordinary insolvency proceedings—and it matters because timing determines whether an IGS is merely a compensation mechanism or becomes part of the crisis-management toolkit.

The same reasoning explains EIOPA's recommendations for a harmonised period in which claims may be submitted and a maximum payout period, while permitting Member States to impose shorter payout deadlines. A safety net which eventually pays the correct amount may still fail its economic purpose if the policyholder waits years for compensation.

From payout fund to resolution infrastructure

The most interesting unanswered issue concerns the functions an IGS should perform. EIOPA identifies a spectrum:

- paying policyholders after failure;
- funding a portfolio transfer to a purchaser;
- funding a transfer to a bridge undertaking;
- acting itself as a bridge undertaking; or
- managing a portfolio in solvent run-off.

These are not variants of the same function. They require different governance, staffing, information, liquidity and legal powers. They also interact differently with the IRRD public-interest assessment. Where adequate funding exists in resolution but not insolvency — or vice versa — the choice between the two procedures may be affected by the protection available to policyholders. EIOPA specifically identifies the risk that discrepancies between resolution and insolvency funding could complicate the public-interest assessment and the application of the IRRD no creditor worse off (**NCWO**) safeguard.

A future European IGS framework may therefore have to do more than ensure equal payouts. It may need to ensure that national safety nets are sufficiently interoperable with resolution so that the choice of legal procedure does not itself become the principal determinant of policyholder protection.

Funding: who ultimately pays for Insurance Union?

There is no cost-free version of IGS harmonisation. EIOPA recognises that insurer contributions, operational change and implementation expenditure may ultimately feed through into pricing. It estimates potential policyholder losses from insurer failures at approximately EUR 0.51 billion annually under the assumptions used in its analysis, while cautioning that the underlying data predates IRRD and that existing IGS resources mean this does not equate to wholly new funding needs.

The more important issue is distribution: Member States operate from very different starting points. EIOPA identifies at least 17 Member States as having an IGS, potentially 18 depending upon the future treatment of the Austrian arrangements. Markets without a scheme, or with materially narrower arrangements, would face greater adjustment.

The starting-point divergence is substantial. The following table illustrates the variation among principal Member State schemes:

Current national landscape: a snapshot

Member State	IGS Arrangement
Germany	*Protektor Lebensversicherungs-AG* (life); *Medicator AG* (health). Mandatory membership for life and health insurers; funded through ex-ante contributions based on technical provisions; can assume portfolios directly.
France	*Fonds de Garantie des Assurances Obligatoires de Dommages*. Covers compulsory non-life insurance (motor, construction); funded through policyholder levies; intervenes post-insolvency.
Poland	*Ubezpieczeniowy Fundusz Gwarancyjny*. Broad coverage including life, non-life and compulsory motor; funded through insurer contributions; can provide interim payments.
Spain	*Consorcio de Compensación de Seguros*. Public-sector entity covering extraordinary risks and acting as insurer of last resort; can assume insolvent portfolios; funded through surcharges on premiums.
Netherlands	No general IGS; limited arrangements for specific categories.
Ireland, Luxembourg, Belgium	No comprehensive IGS currently in place.

This variation explains why EIOPA emphasises minimum standards rather than full uniformity: the adjustment required to reach a common baseline differs materially across jurisdictions.

For cross-border groups the divergence could translate into several questions:

- which entities or portfolios form the contribution base;
- whether contributions are calculated by premiums, technical provisions, risk or another methodology;
- whether contributions become risk-sensitive;
- whether national schemes can levy EU branches or cross-border portfolios;
- whether a group operating through several insurance undertakings bears materially different costs depending upon legal-entity structure; and
- whether contribution methodologies create incentives to relocate particular portfolios.
- If ex-ante IGS contributions become mandatory across Member States, insurers will need to consider the accounting treatment. Are these levies, contributions to a mutual arrangement, or something else? The interaction with IFRS 17 reserving—particularly where IGS protection affects the measurement of insurance contract liabilities—is unexplored in the EIOPA advice but will matter for financial reporting.

Harmonisation will not affect all business models equally. Insurers in markets without current IGS obligations—or with materially narrower schemes—face new costs. Those in markets with more generous existing schemes may see competitive levelling. The net effect on cross-border distribution, passporting strategies and the relative attractiveness of particular domiciles remains uncertain but could influence location decisions for new authorisations and portfolio transfers.

The eventual design could therefore have business-model and legal-entity consequences, not merely compliance consequences. EIOPA's advice focuses on the intra-EU passporting framework but leaves several scope questions unresolved.

Scope questions: what the advice does not resolve

- ***Third-country insurers***. The advice does not address how IGS harmonisation would affect insurers from outside the EU operating through branches or under equivalence arrangements. Post-Brexit, this is directly relevant for UK insurers with continuing EU operations, Lloyd's syndicates writing EU risks and Bermudian or Swiss parents with EU subsidiaries. Whether third-country branches fall within the proposed IGS framework—and if so, which national scheme would respond—remains unclear.

- ***Reinsurance***. The advice does not address whether reinsurers fall within IGS scope, how ceded business interacts with policyholder protection, or whether retrocession arrangements affect the analysis. For groups with significant intra-group reinsurance or third-party cession programmes, the boundary between direct and reinsurance obligations could materially affect IGS exposure.

- ***Run-off portfolios and legacy books***. EIOPA identifies solvent run-off as one potential IGS function, but the advice does not explore the implications for the growing legacy and run-off market. Acquirers of discontinued portfolios face specific questions: does IGS protection travel with transferred business? How do contribution obligations attach to acquired books? Does the original underwriting jurisdiction or the acquiring entity's home state determine coverage?

- ***Captive insurers***. Many corporates operate captive insurance vehicles domiciled within the EU. Whether captives fall within IGS scope—and if so, how that interacts with intra-group risk retention where the policyholder is typically the parent or affiliate—is not addressed. The rationale for consumer protection sits less comfortably with sophisticated corporate insureds.

- ***Group versus entity treatment***. The advice notes that contribution methodologies could create incentives to relocate portfolios, but does not resolve whether IGS obligations will attach at group level, legal-entity level or portfolio level. This directly affects holding-company structures, internal reorganisations and the relative attractiveness of subsidiary versus branch models for cross-border expansion.

The SIU connection

EIOPA places IGS harmonisation expressly in the context of the Savings and Investments Union (**SIU**). That connection is strategically important: European policymakers want households to move a greater proportion of savings into long-term investment, and life insurance and insurance-based investment products are part of that architecture. Encouraging households to hold such products cross-border while maintaining significantly different failure protections creates an obvious trust problem.

There is a distinction between investment risk and institutional failure risk. A customer holding a unit-linked insurance product may properly bear losses resulting from movements in the underlying investments; that does not mean the customer should bear equivalent losses because the insurer itself fails. The regulatory architecture needs to distinguish the two.

A credible IGS framework could become infrastructure for SIU in the same sense that prudential rules, conduct regulation and distribution rules are infrastructure. It is unlikely to drive investment by itself, but the absence of a credible final safety net may make deeper retail integration more difficult.

Practical considerations for firms

For insurance groups, the EIOPA advice should move from horizon scanning into IRRD and cross-border operating-model analysis.

Stakeholder	Key points
If you are an insurer operating primarily domestically	• Identify how far the existing national IGS already satisfies the likely European baseline. The largest implementation effects may arise from changes to eligible policies, activation triggers, payout timelines and liquidity requirements rather than creation of an entirely new scheme. • Model the effect of any new ex-ante contribution or operational-buffer requirements together with potential ex-post levies.
If you passport insurance across several Member States	• Map the protection currently available by **product, insurer, home state, host state and distribution route**. • The question is not simply whether an IGS exists but which scheme would respond, which customers fall within its geographical scope, what it protects and how quickly it could act. • Identify material differences between domestic and cross-border customers purchasing substantially equivalent products.
If you are a life insurer or manufacturer of insurance-based investment products	• Treat the IGS debate as part of the broader SIU workstream. • EIOPA's proposed coverage reaches significant portions of life and savings business, and cross-border distribution is particularly material for unit-linked and index-linked products. Product governance, customer disclosure and funding-cost assumptions may all be affected.
If you are implementing IRRD	• Build IGS capability into resolution planning now. • Resolution strategies should identify whether the relevant IGS merely compensates policyholders or can provide liquidity, fund transfers or support continuation. The legal mandate, decision-making process, funding capacity and time required to mobilise resources need to be understood before a failure occurs. • Where the NRA and IGS are separate institutions, formal cooperation and information-sharing arrangements are likely to become increasingly important.
If you are undertaking insurance M&A	• Add IGS exposure to regulatory diligence. • The existing analysis of Solvency II capital, IRRD resolvability and change-of-control requirements should increasingly be supplemented by the cost and structure of the applicable guarantee scheme. • For cross-border platforms, differences in contribution methodologies and protected portfolios could affect entity structure, integration economics and the relative attractiveness of branch and subsidiary models.
If you are a distributor or intermediary	• Review how IGS protection is currently explained to customers. • EIOPA is signalling that consumers should receive simple information on whether and to what extent a policy is protected. That is particularly relevant to digital and cross-border distribution models where the customer may have little awareness of the insurer's home jurisdiction.

What happens next?

The EIOPA advice does not itself change the law. Its immediate importance is that it materially narrows the policy choices available to the Commission.

Article 98 IRRD requires the Commission by **29 January 2027** to assess the state of national IGSs, examine policy options including compensation and continuation models and consider whether a minimum European baseline is necessary. The report must be accompanied by a legislative proposal where appropriate.

EIOPA has now supplied much of the technical architecture for that assessment. Several issues remain deliberately open: the precise level of coverage, geographical allocation, the relationship between IGS and resolution funding and the degree to which IGSs should themselves become active participants in resolution. These are increasingly political rather than purely technical decisions.

The January 2027 Commission report is a milestone, not an endpoint. If the Commission accompanies its report with a legislative proposal—which EIOPA's detailed technical advice now makes more likely—the ordinary legislative procedure would follow. Adoption under co-decision typically requires 18–36 months of negotiation between the European Parliament and Council, suggesting a final text no earlier than late 2028 or 2029.

Member State transposition would then require a further implementation period—typically 18–24 months for financial services directives of this complexity. On that basis, full application of harmonised IGS standards might not occur until 2031 or 2032. Insurers should plan accordingly: IRRD will be operational from January 2027, but the IGS framework intended to complement it may lag by several years.

Harmonisation boundaries: what remains national

EIOPA's preferred approach is minimum harmonisation, not full uniformity. Several elements would remain subject to Member State discretion:

- coverage levels and caps above the European floor;
- additional protected policy categories beyond the minimum;
- the precise scale of ex-ante funding or operational buffers;
- the institutional design of the IGS (public body, industry mutual, hybrid);
- the extent to which the IGS participates actively in resolution rather than merely compensating after insolvency; and
- shorter payout deadlines than the harmonised maximum.
- This means that even after harmonisation, material differences between national schemes would persist. Cross-border groups will still need to monitor the specific parameters of each relevant jurisdiction.

Further industry engagement

The Commission's forthcoming work will be informed by stakeholder input. Insurance Europe, the European federation of national insurance associations, has historically emphasised proportionality and the need to avoid disproportionate costs for well-capitalised insurers. AMICE, representing mutual and cooperative insurers, has raised concerns about contribution methodologies that may disadvantage smaller, locally-focused undertakings. National associations will likely advocate for approaches that minimise disruption to existing domestic schemes.

For insurers considering direct engagement with the legislative process, the window between the Commission report and any formal proposal will be critical. Once a draft directive enters co-decision, the scope for fundamental structural changes narrows considerably.

What the advice does not recommend

It is worth recapping explicitly what EIOPA has not recommended: a single European insurance guarantee fund on the EDIS model; mandatory continuation powers for all national IGSs; a harmonised contribution percentage applicable across all Member States; cross-border loss-sharing or mutualisation between national schemes; or a single model for IGS participation in resolution.

These distinctions matter. The advice represents a material step towards European convergence, but it does not represent an attempt to replicate Banking Union in insurance. Firms should calibrate their planning—and their advocacy—accordingly.

Outlook

There will be a temptation to describe EIOPA's September advice as another incremental step in consumer-protection harmonisation. That may understate what is at stake.

The EU has already built the first two components of what might increasingly be described as an "**Insurance Union**" without formally (as of yet) designating it as such. Solvency II provides a common prudential framework and enables firms to passport across the Single Market. IRRD provides a common framework for recovery and resolution.

The remaining asymmetry lies at the point where supervision and resolution cease to prevent losses. Today, the insurer's passport travels further than the policyholder's protection.

EIOPA's proposed network of national schemes subject to minimum common standards would not eliminate national IGS and would not create an insurance equivalent of EDIS. Nor does EIOPA presently advocate either outcome. Its preferred model is deliberately more proportionate—but that should not obscure the direction of the institutional debate.

Once insurance can be manufactured in one Member State, distributed across 26 others, supervised under largely common prudential rules and managed under a common resolution framework, divergent outcomes when the insurer finally fails become harder to justify as an ordinary consequence of national diversity.

The next phase will determine more than how IGSs operate. It will determine whether Europe can continue passporting insurance without, at least to a minimum level, passporting the protection that stands behind it—and that is what could turn IGS harmonisation from a technical addition to IRRD into the missing third pillar of an emerging European Insurance Union.

About us

PwC Legal is assisting a number of financial services firms and market participants in forward planning for changes stemming from relevant related developments. We have assembled a multi-disciplinary and multi-jurisdictional team of sector experts to support clients navigate challenges and seize opportunities as well as to proactively engage with their market stakeholders and regulators.

Moreover, we have developed a number of RegTech and SupTech tools for supervised firms, including PwC Legal's Rule Scanner tool, backed by a trusted set of managed solutions from PwC Legal Business Solutions, allowing for horizon scanning and risk mapping of all legislative and regulatory developments as well as sanctions and fines from multiple thousands of legislative and regulatory policymakers and other industry voices in over 170 jurisdictions impacting financial services firms and their business.

Equally, in leveraging our Rule Scanner technology, we offer a further solution for clients to digitise financial services firms' relevant internal policies and procedures, create a comprehensive documentation inventory with an established documentation hierarchy and embedded glossary that has version control over a defined backward plus forward looking timeline to be able to ensure changes in one policy are carried through over to other policy and procedure documents, critical path dependencies are mapped and legislative and regulatory developments are flagged where these may require actions to be taken in such policies and procedures.

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If you would like to discuss any of the developments mentioned above, or how they may affect your business more generally, please contact any of our key contacts or PwC Legal's RegCORE Team via de_regcore@pwc.com or our website.

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