

Overcoming the challenges of cross-border cooperation

Case study Romania - Hungary

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Outline

- I. Overview of current legal framework
- II. Cooperation between the Romanian Policyholders Guarantee Fund (FGA) and the Association of Hungarian Insurance Companies (MABISZ)
- III. Conclusions

Overview of current legal framework

- ▶ 26 IGSs (or schemes that are similar or fulfil the tasks of IGSs) across Europe¹
- ▶ Design and structure of IGSs are specific to each state
- ▶ Consequently, level of protection of policyholders differs to varying degrees



¹ According to EIOPA's Discussion paper on resolution funding and national insurance guarantee schemes - 30 July 2018

Cooperation between FGA and MABISZ

- ▶ FGA was first established in 1995
- ▶ Main purpose - payment of insurance claims resulting from optional and compulsory insurance contracts in case an insurer undergoes a winding-up procedure
- ▶ Additional competences:
 - ✓ *special administrator during the financial recovery proceedings of an insurer*
 - ✓ *liquidator during the voluntary winding-up of an insurer*
 - ✓ *manager of Resolution Fund for Insurers*
- ▶ Set up by ex-ante contributions

Cooperation between FGA and MABISZ



- ▶ The Association of Hungarian Insurance Companies (MABISZ) manages:
 - ✓ the Hungarian National Bureau (Green Card Bureau and Compensation Body)
 - ✓ the Claims Guarantee Fund
 - ✓ the Insolvency Fund
 - ✓ the Claims History Database

Cooperation between FGA and MABISZ

- ▶ Failure and subsequent winding-up procedure of Astra S.A. affected policyholders in both Romania and Hungary
- ▶ Legal provisions allowing FGA to conclude cooperation agreements with other IGSs provided the basis for an Agreement between FGA and MABISZ.
- ▶ MABISZ was mandated by FGA to:
 - ✓ Act as a point of contact for policyholders in Hungary
 - ✓ Distribute information to policyholders regarding claims for compensation from FGA
 - ✓ Settle claims

Cooperation between FGA and MABISZ

Activation of the IGS:


-  - activated when the winding-up procedure is initiated
-  - activated when the Court order for the initiation of winding-up procedure remains final and binding


Contributions – legal environment does not provide for cases when contributions were collected by both IGSs

Compensation costs were supported by FGA and MABISZ in equal shares

Cooperation between FGA and MABISZ

Compensation limits:

 – property damages 1,7 Mil Euro; personal damages 5,3 Mil Euro - as Motor Vehicle Bureau (4th Motor Directive)

 - as IGS - cca. 100.000 Euro. Romanian Motor Vehicle Bureau has similar limits - 1,2 Mil Euro for property damages and 6 Mil Euro for personal damages

Language – Romanian law requires that justifying documents are submitted to the IGS in Romanian language

The clauses of the Agreement addressed the presented issues

Cooperation between FGA and MABISZ

- ▶ FGA registered 64.684 payment requests for ASTRA, out of which 6.928 were from Hungary. Out of the latter, ~48% were from MABISZ
- ▶ FGA issued decisions for 62.337 payment requests for ASTRA, out of which 6.602 were from Hungary. Out of the latter, ~47% were from MABISZ
- ▶ FGA made payments of ~77 million Euro for ASTRA, from which ~3.5 million Euro to Hungarian insurance creditors, both through MABISZ as well as directly to Hungarian policy holders

Conclusions

- ▶ Lack of harmonized approach to IGSs hinders the effective and equal consumer protection in the EU
- ▶ Lack of IGSs in some member states also adds to the different treatment of policyholders
- ▶ Minimum harmonization required
- ▶ High-degree of cross-border activity emphasizes the importance of a harmonized approach to IGSs



Conclusions

On acknowledging the importance of a minimum harmonization of the legal framework governing not only IGSs but also resolution proceedings, as well as the advantages of an efficient cross-border cooperation and collaboration, the Romanian IGS is committed to targeting a range of measures to be key contributors to the enhancement of trust in the insurance market, having the policyholder's interest at its center.

Thank you for your attention!