



# Protecting Insurance Contract Creditors in the Liquidation of Spanish Insurance Companies

Insurance contract creditors, both in life and non-life insurance products, are protected against the bankruptcy of any insurance companies with registered office in Spain by means of an Insurance Guarantee Scheme (IGS).

Consortio de Compensación de Seguros (CCS) is the Spanish IGS in exercise of their liquidation functions of insurance companies. CCS takes over the winding-up of insolvent companies and, in some cases, also of solvent companies.

Nevertheless, this protection is not applied to cross border insurance contracts, that is, to insurance contract creditors of insurance companies with registered offices in third countries, or in other states of the European Economic Area operating in Spain under free provision of services or through established branches.

## Who Are the Insurance Contract Creditors?

They are the policy holders, insureds and beneficiaries of an insurance contract, as well as injured third parties according to the Spanish Insurance Contract Law.

## The Credit Purchase Mechanism

The signature mechanism of CCS for the protection of the insurance contract creditors of an insurance company being wound-up is the credit purchase. This mechanism consists in offering creditors the purchase, out of CCS' funds, of the amounts owed by the insurer for a value determined according to the percentage resulting from applying the so-called liquidation benefits for CCS. This amount is normally 100% of the credit. This secures not only the best possible amount for the creditor, but a significant reduction of the time that creditors must wait to see their rights fulfilled.

If the creditor accepts the purchase offer, CCS pays, subrogated to the rights of the insurer being wound-up by the total amount of the credit and with the same order of precedence. Non acceptance of this offer does not affect the precedence and pay-out rights of the creditor regarding the liquid assets of the insurer, but delays their recuperation until the liquidation plan is executed and limits the amount of the recuperation to the percentage cover corresponding to this kind of credits in the plan.

After carrying out the liquidation plan, non-claimed credits are deposited at CCS at the disposal of their rightful owners for a period of twenty years, after which they are presumed abandoned and transferred to the Treasury.

## What Other Benefits Are Implied?

Besides, CCS, out of its own funds, can purchase the credits from employees derived from their salaries and indemnifications related to the termination of the employment relationship with the insurer being wound-up, including a down payment of the share whose coverage is up to the Wage Guarantee Fund, subrogated to the rights of the employee before the Fund and the insurer.

CCS anticipates liquidation expenses out of its own funds. After approval of the liquidation plan, CCS' recovery of the anticipated expenses is conditional on the full meeting of the rest of the insurer's liability, which implies a benefit for the rest of the creditors.



# Legal Tools

Overall, CCS has specific legal tools that allow for the efficient development of its liquidation activity. Among them are:

- 1 Purchasing by their real value all kind of credits against the undertaking being wound-up.
- 2 Signing agreements for the better development of the process.
- 3 Anticipating credit payments on the wound-up insurer's resources, up to the limit of the real or mortgage guarantees.

## Information to Creditors

When CCS takes over the Spanish insurer whose winding-up has been mandated with, CCS sends personal notices to all known creditors. Besides, it publishes a call in press and official gazettes on how to claim credits, explaining the ways, means and all other circumstances and requirements needed.

CCS publishes announcements and notes on its website by means of which the state of the liquidation processes undertaken by CCS can be known. Should the undertaking being wound-up have its own website, the announcements related to this process would also be published on it.

All notices sent by CCS to concerned parties during the liquidation process in any of its stages include all the ways and procedures to contact the liquidator.

On a general basis, those concerned can raise questions or doubts to CCS related to liquidation processes through the e-mail address: [actividadliquidadora@consorseguros.es](mailto:actividadliquidadora@consorseguros.es).

## How Is CCS Winding-Up Activity Financed?

Spanish IGS is based on ex ante financing. Any non-life insurance policy, different to export credit insurance on behalf of the State, incorporates a 0.015% surcharge on the premium to cover the winding-up activity. It is a tax levied on insurance contracts of properties located in Spain. In this regard, it operates on a host State basis, meaning that even insurers operating in the country under free provision of services or through established branches must apply this tax.

## Ways to Contact

- Through the e-mail address:  
[actividadliquidadora@consorseguros.es](mailto:actividadliquidadora@consorseguros.es)
- Through the website:  
[www.consorseguros.es](http://www.consorseguros.es)
- Through the customer service:  
**900 222 665**



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DL: M-3997-2022