

Extended Liability in Auto Insurance in the Event of the Insurer's Insolvency

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In the event of the insolvency of insurance companies, compensation claims must be submitted to the Romanian Insurance Guarantee Fund (FGA). For claims under motor vehicle liability insurance (RCA), the FGA previously applied a coverage limit—which was abolished at the end of 2025 as part of a legislative reform.

Background

Previously, in the event of the insurer's insolvency, the FGA paid a maximum of 500,000 RON per insurance contract, regardless of the actual amount of the claim. This approach was contrary to EU law.

At the same time, infringement proceedings had been underway against Romania since 2024 for failing to implement Directive (EU) 2021/2118¹ within the prescribed timeframe, which aims to improve protection for victims in civil liability insurance.

The new regulation

The FGA Law No. 213/2015 was amended by Law no. 202/2025, published in December 2025, which abolished the previous cap and aligned Romanian legislation with Directive 2021/2118.

Under the current rules, the FGA pays each insurance creditor the amounts owed under an RCA contract up to a guarantee corresponding to the maximum liability limit of the insurer that issued the RCA contract.

The insurer's maximum liability limit corresponds to the higher of:

- the liability limit applicable under the law of the place where the accident occurred, and
- the liability limit provided for in the RCA contract

Further changes

Previously, claims and payments were processed by the FGA in the order in which they were received. As a result, compensation could take **several years** to be paid. Law 202/2025 introduces a new prioritization system for processing claims, taking into account factors such as the severity of the case, its social impact, or the need for urgent payment².

Priority is given in particular to:

- payment claims from minor children or students (up to age 26) of persons deceased in traffic accidents;
- claims from individuals who have lost at least 50% of their work capacity due to the insured event;
- claims based on enforceable titles against the insolvent insurer, under which the insurer owes monthly annuities;

requests for premium refunds

¹ Directive (EU) 2021/2118 of the European Parliament and of the Council of November 24, 2021, amending Directive 2009/103/EC on motor vehicle liability insurance and the enforcement of compulsory insurance: This European Directive requires Member States to ensure that guarantee schemes (such as FGA) pay compensation equal to the insurer's total insolvency liability and that such compensation is not capped.

² Art. I, Section 31 of Law No. 202/2025.

Processing Deadlines and Interest

According to Law No. 202/2025:

- claims must be reviewed within 3 months, and
- payments must be made within an additional 3 months

In case of delayed payment, the FGA owes statutory interest, calculated in accordance with Article 3 (2) and (3) of Government Ordinance No. 13/2011.

This interest is calculated based on the compensation amount stated in the submitted documents and the number of days elapsed until the payment date.

Applicability of the New Rules

According to the legal provisions, the removal of the 500,000 RON cap applies only to RCA insurance policies and only to insolvency proceedings initiated after the entry into force of the amendment to Law No. 213/2015³: Administrative procedures already pending before the FGA, concerning claims against Romanian insurers for which insolvency proceedings were opened before the new law entered into force, remain subject to the previous legal framework, regardless of when the claims were submitted.

Conclusion

The implementation of European Directive 2021/2118 has established a framework for enhanced protection of the rights of victims of various accidents in the event of future insolvencies of Romanian insurance companies. Given the experiences with ASTRA, City Insurance, and Euroins, this reform represents a welcome and necessary development.

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³ Art. III of the Law