Analysis of Travel Agent Guarantee Requirements and the Guarantee System in Force in Estonia

Current system and its challenges

Current guarantee system is not necessarily in need of fundamental reform, but bottlenecks do exist.

Although there are many providers in the guarantee market and contracts are actively concluded, the conditions have become stricter, including the required level of personal guarantees.

Proportionally, the strictest conditions for obtaining a guarantee apply to micro and small enterprises.

KredEx provides a guarantee for entrepreneurs under certain conditions, but this does not extend to the guarantee offered by insurance companies.

The system is generally comprehensible to market participants, but an important challenge is the fulfillment of the duty of care by the companies, the correct calculation method of the guarantee and

Reporting by the companies and supervision by the regulator is largely manual in nature, resulting mainly from the assessment and verification of advance payments.

Today, travel companies strongly oppose guarantee solutions based on collective protection, and the current system is considered the best.

Recommendations to improve the current guarantee system

1. We recommend maintaining current system based on individual guarantees of companies as a basis. In addition to current individual guarantee system, we recommend creating a second level of protection in the form of a so-called reservefund, which would help solve the challenges related to insolvency proceedings and the return of passengers.
2. We recommend updating and correcting both the list of travel companies' fields of activity and the minimum guarantee requirements applicable to the fields of activity.
3. We recommend introducing an additional monitoring mechanism for automated analysis of companies' financial annual reports, to identify their financial status and potential early indications of insolvency.
4. We recommend that TTJA consider outsourcing security adequacy checks as a service from third parties, e.g. auditors or accounting firms.
5. We recommend creating an additional measure to facilitate the availability of collateral for newly started companies, including, if possible, extending the KredEx guarantee to the guarantee offered by insurance companies.
6. We recommend MKM and TTJA to continue outreach work in the direction of the sector for the introduction of possible real-time solutions.

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Effects of the changes planned in the EU

At the same time, it is quite likely that the increasing costs will be added to the prices of the service, which in summary would not lead to a significant increase in costs for passengers. This means that the limitation of advance payments has a certain effect on the profitability of companies, but in summary, the change would not significantly increase the cost base of companies.