



markt.h.2(2009)31220

NOTE TO THE MEMBERS OF THE EIOPC

Subject: Reinsurance Directive - Results of the annual review of the amount of the guarantee fund

Article 41 of Directive 2005/68/EC¹ on reinsurance and amending Council Directives 73/239/EEC, 92/49/EEC as well as Directives 98/78/EC and 2002/83/EC requires that Euro amounts of guarantee fund for reinsurance undertakings and captive reinsurance undertakings be reviewed annually in order to take account of changes in the European index of consumer prices comprising all Member States as published by Eurostat and that the amounts should be adapted automatically if the percentage change in the consumer price index is greater than 5%.

At the 8th meeting of the European Insurance and Occupational Pensions Committee the Commission proposed a methodology for the annual review of the minimum guarantee fund for reinsurance undertakings and captive reinsurance undertakings. Under the Commission's proposal the reference period would be 12 months ending on 10 December each year, the relevant index would be the "European index of consumer prices" (EICP) and Member States would have until the end of the following year to implement any changes. The European Insurance and Occupational Pensions Committee agreed the Commission's proposed methodology and proposed approach to implementation of any changes required.

Review in 2007

On the basis of analysis conducted by the Commission, changes were not required with an effective date for application before 1 January 2009 as the percentage increase over the period from 10 December 2005 to 10 December 2006 was 2.16%, below the 5% threshold.

Review in 2008

The Commission has conducted a review which concludes that the EICP has increased by 5.39% (from 101.03 to 106.48, May 2005=100) during the review period (from 10 December 2005 to 10 December 2007) and consequently changes are required (5.39% > 5.0%).

Article 41 of Directive 2005/68/EC requires that the base amount shall be increased by the percentage change in the EICP index over the period between 10 December 2005 and

¹ OJ L 323, 9.12.2005, p. 1.

the review date (i.e. – 10 December 2007) and shall be rounded up to a multiple of €100,000. The review concludes that the EICP has increased by 5.39%.

A 5.39% increase, rounding up to the nearest €100,000, translates into

- a revised reinsurance undertakings' Minimum Guarantee Fund of €3.2 million and
- a revised captive reinsurance undertakings' Minimum Guarantee Fund of €1.1 million.

The results of the review are shown in the attached *annex*.

Questions to the EIOPC members

Do you agree that the consumer price index has increased by more than 5% in the period December 2005 – December 2007?

Do you agree that adaptation of the minimum guarantee funds is required?

Please send your comments by **9 March 2009 at the latest**.

In accordance with the standard approach to implementation agreed by the European Insurance and Occupational Pensions Committee, the revised amounts should be implemented by Member States under national law with an effective date for application before 1 January 2010.

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