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## NOTE TO THE MEMBERS OF THE EIOPC

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

**The purpose of this note is:**

To present results of the annual review of the guarantee fund for reinsurance undertakings and captive reinsurance undertakings, as required under Article 41 of Directive 2005/68/EC.

The review indicates that the increase in the consumer price index since the last adaptation exceeds 5%. As a consequence, adaptation of the guarantee fund for reinsurance undertakings and captive reinsurance undertakings is required.

The review has been conducted in accordance with the methodology proposed and agreed at the 8<sup>th</sup> meeting of the European Insurance and Occupational Pensions Committee.

Article 41 of Directive 2005/68/EC on reinsurance requires that the Euro amounts of the 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 8<sup>th</sup> 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.

### ***Last adaptation (review period from 10 December 2005 to 10 December 2007)***

The Commission conducted a review which concluded that the EICP had increased by 5.39% (from 101.30 to 106.48,<sup>1</sup> May 2005=100) during the review period (from 10 December 2005 to 10 December 2007) and consequently changes were 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 the review date (i.e. – 10 December 2007) and shall be rounded up to a multiple of €100,000. The review concluded that the EICP had increased by 5.39%.

A 5.39% increase, rounding up to the nearest €100,000, was translated 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.

In accordance with the standard approach to implementation agreed by the European Insurance and Occupational Pensions Committee, the revised amounts should have been implemented by Member States under national law with an effective date for application before 1 January 2010. In accordance with the legal obligation in the Directive, the Commission has informed the European Parliament and the Council of the review and of the adapted amounts. The Commission has also published the adapted amounts in the Official Journal.<sup>2</sup>

### ***Current adaptation - review period from 10 December 2007 to 10 December 2010***

The Commission conducted a review which concluded that the EICP had increased by 6.49% (from 106.48 to 113.39,<sup>3</sup> May 2005=100) during the review period (from 10 December 2007 to 10 December 2010) and consequently changes are required (6.49% > 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 the review date (i.e. – 10 December 2010) and shall be rounded up to a multiple of €100,000. The review concludes that the EICP has increased by 12.23%.

A 12.23% increase, rounding up to the nearest €100,000, is translated into

- a revised reinsurance undertakings' Minimum Guarantee Fund of €3.4 million and
- a revised captive reinsurance undertakings' Minimum Guarantee Fund of €1.2 million.

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<sup>1</sup> EUROSTAT data of 2 February 2009.

<sup>2</sup> OJ C 63 of 18.03.2009.

<sup>3</sup> EUROSTAT data of 29 August 2011.

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 2013. In accordance with the legal obligation in the Directive, the Commission will also inform the European Parliament and the Council of the review and of the adapted amounts. The Commission will also publish the adapted amounts in the Official Journal.

***Question to the EIOPC members***

***Do you agree to the new revised amounts?***

Please send your comments by **30 October 2011 at the latest**.

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