
Pension Contracts Sectoral Fund

Insurance undertaking authorization

An insurance undertaking is a company whose principal activity and principal continuous activity under an insurance contract is to assume the insurance risks of the policyholder or the insured and, in the event of an insured event taking place, to indemnify for loss or damage, to pay an agreed sum of money or to perform the contract in any other agreed manner.

One type of life insurance is an annuity, which refers to life insurance contracts where a periodic payment of compensation is agreed upon at the time of conclusion of the contract, including mandatory funded pension insurance contracts. Thus, mandatory funded pension contracts can be concluded by authorized life insurance undertakings.

In order to engage in insurance activities, a company must be authorized to engage in one or several type(s) or sub-type(s) of insurance activities.

The right to enter into a pension contract is granted to an insurance undertaking established in Estonia with an annuity license and to the Estonian branch of an insurance undertaking established in a contracting state of the European Economic Area that is a fund participant of the Pension Contracts Sectoral Fund provided for in the Guarantee Fund Act and that has an agreement with the registrar of the pension register.

For companies founded in Estonia, authorization is granted by the Financial Supervision Authority.

The documents and details to be submitted in the application for authorization include confirmation by which the applicant undertakes to pay a single contribution to the Pension Contracts Sectoral Fund as provided for in the Guarantee Fund Act if the proposed insurance activity of the applicant provides for the conclusion of pension contracts.

Calculation and payment of quarterly contribution

The quarterly contribution is calculated on the basis of the amount of premiums for the insurer's pension contracts which the insurer or the branch, respectively, earned during the quarter preceding the quarter for which the contribution is due.

The amount of the quarterly contribution is obtained by multiplying the sum of the premiums for the pension contracts by the contribution rate established by the Supervisory Board of the Guarantee Fund.

A pension contract within the meaning of the Guarantee Fund Act is a mandatory funded pension insurance contract.

The amount of the premiums of the pension contracts and the amount of the contribution due are calculated by the insurance undertaking.

The detailed procedure for calculating the amount of the contribution is laid down in regulation of the Minister of Finance.

If the reporting party has identified an error in data previously reported or if the accounting policies of previous reporting periods have been changed, a corrected report must be submitted.

The quarterly contribution is paid by the insurance undertaking by the 15th day of the second month of each quarter.

In the event of non-payment or partial payment of the contribution by the due date, the Guarantee Fund charges interest on the outstanding amount at the rate of 0.2% per day.

Suspension of collection of quarterly contribution

The Supervisory Board of the Guarantee Fund may decide to suspend the collection of quarterly contributions if all of the following conditions are met:

1. the assets of the Sectoral Fund account for at least 1% of the obligations of all pension contracts of the insurance undertakings;
2. the value of the assets of the Sectoral Fund exceeds 1,000,000 euros;
3. the loans taken out in the event of a support case and funds received from other Sectoral Funds to meet the obligations of the Pension Contracts Sectoral Fund, together with accrued interest, have been repaid in full.