Report on the calculation of the UFR for 2027

RFR Methodology

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EXECUTIVE SUMMARY

EIOPA has calculated the ultimate forward rate (UFR) for 2027 in accordance with the methodology to derive the UFR.

For all relevant currencies, except the Chinese renminbi-yuan, the UFR does not change compared to previous year. This implies for the euro an applicable UFR of 3.30% for 2027, while the UFR for the renminbi-yuan drops by 15bp to 4.05% for 2027.

Both the average inflation and the average short-term nominal rate decreased over 2025. Although the drop in the average short-term nominal rate was greater than the drop in the average inflation rate, the average inflation rate is still below the average short-term nominal rate. Due to this, the average real rate for 2025 fell below the average real rate for 2024, although still being positive. As a result, the long-term average real rate slightly decreased. However, there was no impact on the expected real rate due to the specific rounding method applied[1]. Furthermore, only for the renminbi-yuan a change was observed in its expected inflation going from 3% to 2%. Due to this the UFR for the renminbi-yuan drops by 15bp, while the UFRs for all other currencies do not change.

As only the UFR for the renminbi-yuan changes the overall impact will be non-material, due to only 0.135% of total technical provisions of solo undertakings for 2024 are denominated in CNY, while for groups this percentage is only 0.014%.

The new ultimate forward rates will be applicable for the calculation of the risk-free interest rates from 1 January 2027 onwards.

[1]Up to a multiple of five basis points.

1. METHODOLOGY TO DERIVE THE UFR

1.1. EXPECTED REAL RATE

The UFR is the sum of an expected real rate and an expected inflation rate. The expected real rate is the same for all currencies. It is calculated as a simple average of the past real rates of a basket of representative countries since 1961. For the calculation of the expected real rate, a new observed real rate for 2025 enters the calculation. This new observed real rate equals 0.33% (2024: 1.49%). The resulting expected real rate for 2025 equals 1.20% (2024: 1.20%). Annex 1 sets out the intermediate results of the calculation.

1.2. EXPECTED INFLATION RATE

The expected inflation rate is currency specific. It is based on the inflation target of central banks and can take the values 1%, 2%, 3% or 4%.

Except for the Chinese Renminbi-yuan, the expected inflation rates remain unchanged for all currencies. The expected inflation rate for the Renminbi-yuan changed from 3% to 2%. The following table sets out the expected inflation rate per currency. Annex 2 and Annex 3 set out the underlying inflation targets and the determination of the expected inflation rate for currencies without inflation target.

Table 1 - Expected Inflation Rates

	Currency	Expected inflation rate
EUR	Euro	2%
CZK	Czech koruna	2%
GBP	Pound sterling	2%
HUF	Forint	3%
PLN	Zloty	2%
RON	Leu	2%
SEK	Krona	2%
CHF	Swiss franc	1%
ISK	Króna	2%
NOK	Norwegian krone	2%
AUD	Australian dollar	2%
CAD	Canadian dollar	2%
CNY	Renminbi-yuan	2%
COP	Colombian peso	3%
HKD	Hong Kong dollar	2%
JPY	Yen	2%
TWD	New Taiwan dollar	2%
USD	US dollar	2%

1.3. ULTIMATE FORWARD RATE

The following table sets out the changes in applicable UFRs going from 2026 to 2027.

Table 2 - Calculated and Applicable UFR for 2026 and 2027

Currency Code	Currency	UFR applicable in 2026	Calculated UFR for 2027	UFR applicable in 2027	Change in UFR
EUR	Euro	3.30%	3.20%	3.30%	-
CZK	Czech koruna	3.30%	3.20%	3.30%	-
GBP	Pound Sterling	3.30%	3.20%	3.30%	-
HUF	Forint	4.20%	4.20%	4.20%	-
PLN	Zloty	3.30%	3.20%	3.30%	-
RON	Leu	3.30%	3.20%	3.30%	-
SEK	Krona	3.30%	3.20%	3.30%	-
CHF	Swiss franc	2.30%	2.20%	2.30%	-
ISK	Króna	3.30%	3.20%	3.30%	-
NOK	Norwegian krone	3.30%	3.20%	3.30%	-
AUD	Australian dollar	3.30%	3.20%	3.30%	-
CAD	Canadian dollar	3.30%	3.20%	3.30%	-
CNY	Renminbi-yuan	4.20%	3.20%	4.05%	↓15bp
COP	Colombian peso	4.20%	4.20%	4.20%	-
HKD	Hong Kong dollar	3.30%	3.20%	3.30%	-
JPY	Yen	3.20%	3.20%	3.20%	-
TWD	New Taiwan dollar	3.30%	3.20%	3.30%	-
USD	US dollar	3.30%	3.20%	3.30%	-

ANNEX 1 CALCULATING THE EXPECTED REAL RATE

The following table sets out the time series of real rates used for the calculation of the expected real rate. Real rates in the table are rounded to two decimal digits for presentational reasons.

Table 3 - History of observed Real Rates

Year	Real rates	Year	Real rates	Year	Real rates
1961	1.58%	1989	5.66%	2017	-1.69%
1962	0.09%	1990	5.61%	2018	-1.65%
1963	0.01%	1991	4.87%	2019	-1.32%
1964	0.46%	1992	5.53%	2020	-0.89%
1965	1.09%	1993	3.90%	2021	-2.98%
1966	1.64%	1994	3.11%	2022	-6.55%
1967	1.89%	1995	3.56%	2023	-1.04%
1968	1.82%	1996	2.25%	2024	1.49%
1969	2.08%	1997	2.73%	2025	0.33%
1970	2.50%	1998	3.12%		
1971	-0.23%	1999	2.23%		
1972	-0.91%	2000	2.74%		
1973	0.81%	2001	1.77%		
1974	-1.11%	2002	1.21%		
1975	-4.82%	2003	0.49%		
1976	-0.94%	2004	0.47%		
1977	-1.66%	2005	0.57%		
1978	0.78%	2006	1.61%		
1979	1.45%	2007	2.58%		
1980	1.05%	2008	1.18%		
1981	3.71%	2009	0.58%		
1982	3.34%	2010	-0.94%		
1983	3.48%	2011	-1.61%		
1984	4.35%	2012	-1.79%		
1985	4.48%	2013	-1.28%		
1986	5.83%	2014	-0.60%		
1987	5.01%	2015	-0.21%		
1988	4.74%	2016	-0.74%		

Expected real rate before rounding

= Average of real rates over period [1961, 2025]

= 1.18174% (2024: 1.19509%).

Expected real rate after rounding

= 1.20**%** (2024: 1.20%).

Note on the data used

The real rates presented in Table 3 are derived from historical 3-month short-term interest rates and annual inflation rates for seven countries: Belgium, Germany, France, Italy, the Netherlands, the United Kingdom, and the United States. The short-term interest rate series were historically sourced from EUROSTAT.

In 2024, EUROSTAT discontinued the UK and US time series for 3-month short-term interest rates following the transition away from LIBOR. As an alternative, the series are now sourced from the OECD Data Explorer • Key short-term economic indicators.

The OECD time series for the UK and the US show minor deviations from the corresponding EUROSTAT series, reflecting differences in the underlying reference rates. A full retroactive recalculation based on the OECD series results in a small difference of approximately 5 basis points in the calculated UFR, while the applicable UFR remains unchanged.

Since the OECD series will only be used on a forward-looking basis, the expected impact on the estimated real rate is negligible. This is because the real rate is calculated as an expanding average starting in 1961, which limits the influence of recent data changes.

The annual inflation rate series underlying the real rates of Table 3 are sourced from the OECD Data Explorer • Consumer price indices (CPIs, HICPs), COICOP 1999.

Finally, it was observed that the inflation rate for the United States for 2025 is missing. Therefore, in line with the OECD data source specifications, the value was obtained from the *Consumer Price Index for All Urban Consumers (CPI-U), U.S. city average, All Items, Not Seasonally Adjusted*, as published by the U.S. Bureau of Labor Statistics.

ANNEX 2 INFLATION TARGETS

The following table sets out the inflation targets. The information was derived from the specified sources during 2026 Q1. If no specific source was available, Refinitiv has been used as alternative source. For currencies for which no information was available at all, and for currencies where exchange rate targeting is used instead of inflation targeting, see Annex 3.

Table 4 - Inflation Targets

	Currency	Inflation target	Source
EUR	Euro	2%	https://www.ecb.europa.eu/ecb/tasks/monpol/html/index.en.html
CZK	Czech koruna	2%	https://www.cnb.cz/en/monetary-policy/
GBP	Pound sterling	2%	https://www.bankofengland.co.uk/monetary-policy/inflation
HUF	Forint	3% ± 100bps	http://www.mnb.hu/en/monetary-policy/monetary-policy-framework/inflation-targeting
PLN	Zloty	2.5% ± 100bps	https://nbp.pl/en/monetary-policy/
RON	Leu	2.5% ± 100bps	https://www.bnr.ro/en/2512-inflation-targets
SEK	Krona	2%	https://www.riksbank.se/en-gb/monetary-policy/the-inflation-target/
CHF	Swiss franc	Less than 2%	https://www.snb.ch/en/the-snb/mandates-goals/monetary-policy/strategy
ISK	Króna	2.50% ± 150bps	http://www.cb.is/monetary-policy/inflation-target/
NOK	Norwegian krone	2%	https://www.norges-bank.no/en/kort-forklart/inflasjon/why-do-we-want-low-and-stable-inflation/
AUD	Australian dollar	2 - 3%	http://www.rba.gov.au/inflation/inflation-target.html
CAD	Canadian dollar	2% ± 100bps	https://www.bankofcanada.ca/core-functions/monetary-policy/#inflation
CNY	Renminbi-yuan	2%	https://english.www.gov.cn/2026special/2026npcandcpcc/202603/05/content_WS69a8ea12c6d00ca5f9a0987b.html
COP	Colombian peso	3%	https://www.banrep.gov.co/en/publications-research/monetary-policy-report/january-2026
HKD	Hong Kong dollar	No inflation target	
JPY	Yen	2%	https://www.boj.or.jp/en/mopo/outline/target.htm
TWD	New Taiwan dollar	No inflation target	
USD	US dollar	2%	https://www.federalreserve.gov/monetarypolicy/review-of-monetary-policy-strategy-tools-and-communications-statement-on-longer-run-goals-monetary-policy-strategy.htm

ANNEX 3 EXPECTED INFLATION RATES FOR CURRENCIES WITHOUT INFLATION TARGET

According to the UFR methodology, the expected inflation rate for currencies without inflation target is 2%, unless both the 10-year annual average inflation and a projection of the inflation clearly indicate that the inflation is expected to be at least one percentage point different from the default target value of 2%.

The following table sets out for the affected currencies the average inflation over the last 10 years for 2025.

Table 5 – Past 10Y Average Annual Inflation 2025

Currency	Average inflation rate over the last 10 years
Hong Kong dollar	1.70%
New Taiwan dollar	1.55%

As both average inflation rates do not fall outside the ±1%-point bandwidth around the 2% default target there is no need to perform additional projections of these inflation rates.

Both currencies therefore fall in the 2% inflation target bucket.

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