

To: Solvency II Working Group
From: Prudential Team

Date: 18-12-2017
Reference: ECO-SLV-17-288

Subject: EIOPA RFR - Update of the representative portfolios

Summary

On 18 December, EIOPA published updated representative portfolios that will be used for calculation of the volatility adjustments (VA) to the relevant risk-free interest rate term structures for Solvency II.

EIOPA will start using these data for the calculation of the VA end of March 2018, which will be published at the beginning of April 2018. The representative portfolios are available on EIOPA's website under "[Background Material](#)".

Should members have any queries, please contact the secretariat, prudential@insuranceeurope.eu.

Background

The updated portfolios are based on data reported by European (re)insurance companies to their national supervisory authorities as part of their annual supervisory reporting for 2017. Based on more up-to-date and granular data, the new portfolios enable more accurate reflection of the impact of market volatility under the Solvency II framework.

For most currencies, the impact of the update on the current VAs will be limited. In particular:

- The Polish zloty showed the strongest decrease in VA. However, no Polish insurance undertaking is applying the VA, and as such the impact of this decrease should be limited.
- The VA for the Danish krone strongly increased. However, EIOPA noted that they are currently reviewing the use of the Nykredit covered bond index in the VA calculation of the Danish krone.
- The representative portfolios for CHF, USD, AUD, CAD and JPY were derived from group data, consistently with their initial derivation.

The following diagram sets out the impact observed in a test calculation for end of September 2017.

EIOPA is revising the representative portfolios on a yearly basis with the next update being scheduled for the second half of 2018.

