

## Insurance Europe response on EIOPA's revised Opinion on Dynamic Volatility Adjustment (DVA)

Our reference:	ECO-SLV-25-231	Date:	25-06-2025
Referring to:	<a href="#">Consultation on revised Opinion on Dynamic Volatility Adjustment (DVA) - Solvency II Review - EIOPA</a>		
Related documents:	<a href="#">Consultation Paper</a>		
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### General comments

**Q1.** *Do you have general comments on the consultation document?*

Insurance Europe welcomes the opportunity to contribute to EIOPA's consultation regarding the revised opinion on the Dynamic Volatility Adjustment (**DVA**).

To ensure proportionality and avoid undue operational burden, the industry encourages EIOPA to explicitly acknowledge in the Opinion that supervisory expectations regarding DVA calculations and modelling should be implemented in a manner that avoids excessive complexity, duplication of work or overly frequent recalculations. In particular, where an internal model demonstrably meets the prudency principle and avoids undesirable risk management incentives, additional prescriptive requirements (such as duplicative or overly frequent VA calculations) should not be imposed. Supervisory assessments should aim for consistency with the principle of materiality and take into account the validation processes and governance frameworks already in place within undertakings. A clarification to this effect in the revised Opinion would help ensure proportional and efficient implementation of the DVA framework across the industry.

### Consultation paper overview and next steps

**Q2.** *Do you have comments on Section 'Consultation paper overview and next steps'?*

#### 1. Legal basis

**Q3.** *Do you have comments on Section 1. Legal Basis?*

#### 2. Context and Objective

**Q4.** Do you have comments on Section 2. Context and Objective?

### 3. Modelling

**Q5.** Do you have comments on Section 3. Modelling?

Paragraph 3.10 should read: "All **material**, quantifiable risks **related to the application of the volatility adjustment** should be modelled in Pillar 1 and all non-quantifiable risks should be dealt with in Pillar 2 when applying a DVA in the internal model." Justification: The application of the DVA materially adds to the complexity of an internal model. Unnecessary additional complexity should be avoided to ensure that these models deliver stable and intuitive results. This is important for the use of the internal model according to the Solvency II Directive 2009/138/EC, article 120. Additional complexity can also lead to an undue effort for model development and for ensuring ongoing appropriateness of the internal model. The requirement in paragraph 3.10 (which refers only to the application of the DVA) should therefore be limited to material risks and to the elements of the volatility adjustment. This will also support a consistent interpretation of this requirement across different jurisdictions.

Referring to paragraph 3.11: "*When challenging the model, competent authorities should consider inter alia all elements of the EIOPA VA methodology (e.g. choice of the reference portfolio, the risk correction) and the variation of those elements over the forecasting period; sensitivity to the parameters and the undertaking's risk profile, including the assumptions underlying the VA and any deviations from that in the undertaking's risk profile; the principles of materiality and proportionality.*"

- It should be avoided that companies are required to take into account, in their DVA models, possible changes related to the EIOPA reference portfolios.

Referring to the new requirement introduced in paragraph 3.12: "*Furthermore, when challenging the model, competent authorities should assess the consistency of the DVA modelling with the approach to other aspects of the internal model, especially the approach to credit spreads, any potential interrelations to the approach to interest rates and the coverage of all material risks.*"

- The industry suggests deleting the statement, as its broad wording could lead to inconsistent interpretations and introduce additional complexity.

### 4. Risk Management

**Q6.** Do you have comments on Section 4. Risk Management?

### 5. Public disclosure

**Q7.** Do you have any comments on Section 5. Public Disclosure?

### Any other comments

**Q8.** Do you have any other comments?