Memo for information

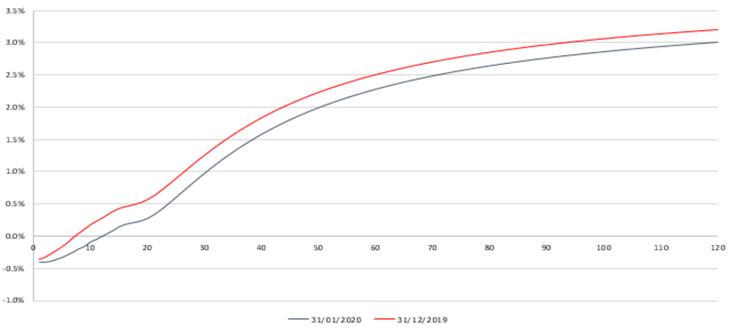
To: Solvency II Working Group
From: Prudential Team
Date: 7 February 2020
Reference: ECO-SLV-20-033

Subject: RFR monthly monitoring – January 2020

Background

EIOPA publishes the technical information related to risk-free interest rate (RFR) term structures for a wide range of currencies and the symmetric adjustment of the equity capital charge monthly. The latest technical documentation for the RFR which provides EIOPA's methodology for calculation can be found here. The secretariat monitors EIOPA's RFR curves published for the euro as well as the symmetric adjustment and provides below summary information for members (Source: EIOPA, Insurance Europe).

1. RFR curves with VA (euro) as at end of January 2020 vs previous curve



RFR with VA	10yrs	20yrs	60yrs
Jan 2020	-0.10%	0.27%	2.28%
Dec 2019	0.18%	0.58%	2.50%

RFR without VA	10yrs	20yrs	60yrs
Jan 2020	-0.16%	0.21%	2.26%
Dec 2019	0.11%	0.51%	2.47%

2. Change in Volatility Adjustment and Credit Risk Adjustment

	December	January
Volatility Adjustment (VA) (bps)	7	6
Credit Risk Adjustment (bps)	10	10

3. Impact on discounting

The value after discounting a 1,000 euro cashflow at different years in the future is shown below along with the impact of changes in RFR (with VA) on these valuations:

	10yrs	20yrs	60yrs
Present Value using January 2020 RFR with VA	1010	948	259
Present Value change from December 2019	2.8%	6.2%	13.9%

4. Symmetric Adjustment of the Equity Capital Charge

January 2020	December 2019	November 2019	October 2019	September 2019	August 2019	July 2019	June 2019
-1.33%	-0.08%	-0.69%	-1.47%	-1.97%	-3.43%	-2.03%	-1.72%

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