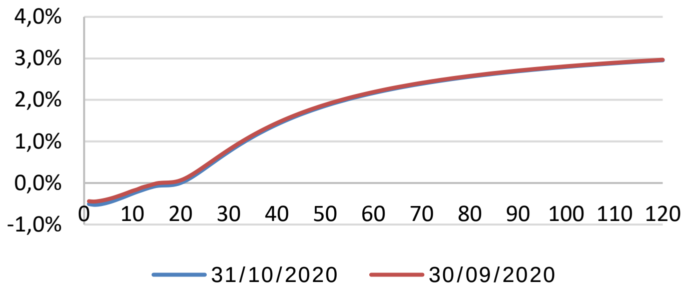
Memo for information

To: Solvency II Working Group
From: Prudential Team
Date: 05-11-2020
Reference: ECO-SLV-20-253
Subject: RFR monthly monitoring – October 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 the end of October 2020 vs previous curve




| *RFR with VA* | *10yrs* | *20yrs* | *60yrs* |
|---|---|---|---|
| *Oct 2020* | -0.26% | 0.00% | 2.17% |
| *Sep 2020* | -0.19% | 0.07% | 2.19% |

| *RFR without VA* | *10yrs* | *20yrs* | *60yrs* |
|---|---|---|---|
| *Oct 2020* | -0.38% | -0.12% | 2.12% |
| *Sep 2020* | -0.33% | -0.08% | 2.13% |

### 2. Change in Volatility Adjustment and Credit Risk Adjustment

| | September | October |
|---|---|---|
| **Volatility Adjustment (VA) (bps)** | 14 | 12 |
| **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 October 2020 RFR with VA** | 1026 | 1000 | 276 |
| **Present Value change from September 2020** | 0.7% | 1.3% | 1.4% |

### 4. Symmetric Adjustment of the Equity Capital Charge

| October 2020 | September 2020 | August 2020 | July 2020 | June 2020 | May 2020 | April 2020 | March 2020 |
|---|---|---|---|---|---|---|---|
| -8.81 | -6.43% | -5.58% | -7.13% | -6.72% | -8.45% | -10.00% | -10.00% |

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