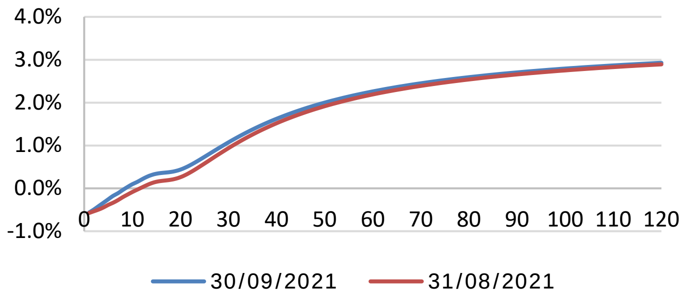
Memo for information

To: Solvency II Working Group
From: Prudential Team
Date: 05-10-2021
Reference:
Subject: RFR monthly monitoring – September 2021

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 September 2021 vs previous curve



RFR with VA	*10yrs*	*20yrs*	*60yrs*
Sep 2021	0.10%	0.44%	2.26%
Aug 2021	-0.09%	0.26%	2.19%

RFR without VA	*10yrs*	*20yrs*	*60yrs*
Sep 2021	0.07%	0.41%	2.25%
Aug 2021	-0.13%	0.22%	2.17%

2. Change in Volatility Adjustment and Credit Risk Adjustment

	August	**September**
Volatility Adjustment (VA) (bps)	4	3
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 September 2021 RFR with VA	990	916	261
Present Value change from August 2021	-1.8%	-3.5%	-4.0%

4. Symmetric Adjustment of the Equity Capital Charge

September 2021	**August 2021**	**July 2021**	**June 2021**	**May 2021**	**April 2021**	**March 2021**	**February 2021**
5.31%	7.19%	6.22%	5.66%	5.52%	4.55%	3.60%	0.55%

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