Memo for information

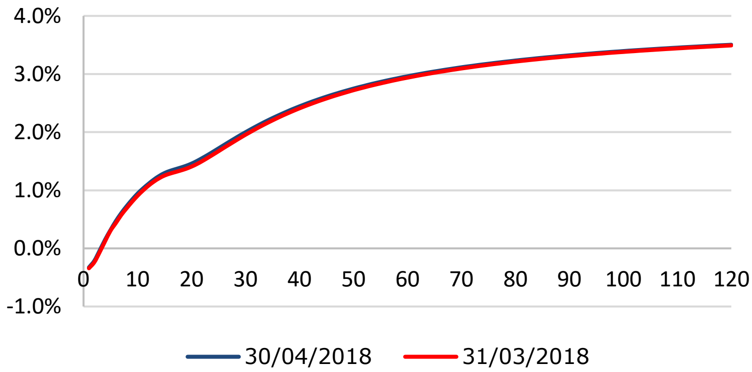
To: Solvency II Working Group
From: Prudential Team
Date: 8 May 2018
Reference: ECO-SLV-18-114

Subject: RFR monthly monitoring April 2018

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 April 2018 vs previous curve



RFR with VA	10yrs	20yrs	60yrs
Apr 2018	0.94%	1.46%	2.96%
Mar 2018	0.90%	1.41%	2.94%

RFR without VA	10yrs	20yrs	60yrs
Apr 2018	0.91%	1.43%	2.95%
Mar 2018	0.88%	1.39%	2.93%

2. Change in Volatility Adjustment and Credit Risk Adjustment

	March	April
Volatility Adjustment (VA) (bps)	2	3
Credit Risk Margin (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 April 2018 RFR with VA	911	749	174
Present Value change from March 2018	-0.4%	-1.0%	-1.3%

4. Symmetric Adjustment of the Equity Capital Charge

April 2018	Mar 2018	Feb 2018	Jan 2018	Dec 2017	Nov 2017	Oct 2017	Sep 2017
1.41%	-0.88%	0.52%	3.10%	1.90%	2.03%	3.39%	2.40%

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