

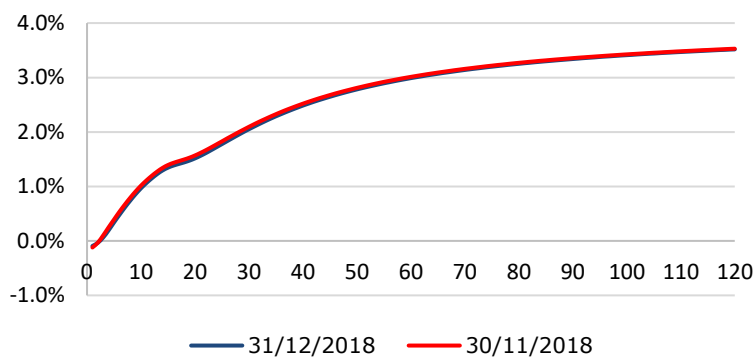
To: Solvency II Working Group
 From: Prudential Team
 Date: 8 January 2019
 Reference: ECO-SLV-19-004

Subject: RFR monthly monitoring December 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 December 2018 vs previous curve



<u>RFR with VA</u>	<u>10yrs</u>	<u>20yrs</u>	<u>60yrs</u>
Dec 2018	0.97%	1.52%	2.99%
Nov 2018	1.02%	1.57%	3.01%
<u>RFR without VA</u>	<u>10yrs</u>	<u>20yrs</u>	<u>60yrs</u>
Dec 2018	0.73%	1.28%	2.89%
Nov 2018	0.80%	1.35%	2.92%

2. Change in Volatility Adjustment and Credit Risk Adjustment

	November	December
Volatility Adjustment (VA) (bps)	22	24
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 December 2018 RFR with VA	908	740	171
Present Value change from November 2018	0.5%	1.1%	1.3%

4. Symmetric Adjustment of the Equity Capital Charge

December 2018	November 2018	October 2018	September 2018	August 2018	July 2018	June 2018	May 2018
-6.34%	-3.44%	-3.43%	0.14%	0.34%	1.66%	-0.11%	0.31%