Memo for information

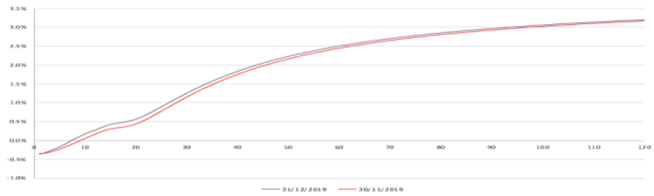
To: Solvency II Working Group
From: Prudential Team
Date: 14-01-2020
Reference: ECO-SLV-20-010

Subject: RFR monthly monitoring - December 2019

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 2019 vs previous curve



RFR with VA	10yrs	20yrs	60yrs
Dec 2019	0.18%	0.57%	2.50%
Nov 2019	0.06%	0.44%	2.45%

RFR without VA	10yrs	20yrs	60yrs
Dec 2019	0.11%	0.50%	2.47%
Nov 2019	-0.05%	0.34%	2.41%

2. Change in Volatility Adjustment and Credit Risk Adjustment

	December	November
Volatility Adjustment (VA) (bps)	7	10
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 December 2019 RFR with VA	982	893	227
Present Value change from November 2019	-1.3%	-2.7%	-3.2%

4. Symmetric Adjustment of the Equity Capital Charge

December 2019	November 2019	October 2019	September 2019	August 2019	July 2019	June 2019	May 2019
-0.08%	-0.69%	-1.47%	-1.97%	-3.43%	-2.03%	-1.72%	-3.96%

Prudential Team • Intern Economics and Finance
Insurance Europe aisbl • ,
Tel: +32 2 894 30 33 • E-mail: chrysafis@insuranceeurope.eu

www.insuranceeurope.eu