

To: Solvency II Working Group
 From: Prudential Team
 Date: 8 March 2018
 Reference: ECO-SLV-18-044

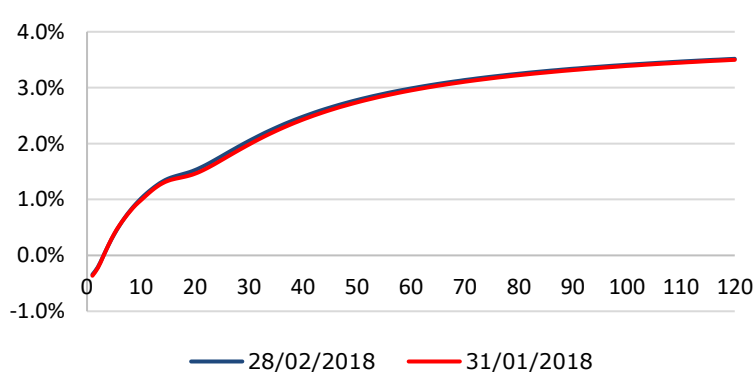
Subject: RFR monthly monitoring February 2018

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).

Members should note that EIOPA has used a UFR of 4.05% to derive the Euro RFR term structure from January 2018. The UFR parameter has been updated in accordance with EIOPA's [UFR methodology](#).

1. RFR curves with VA (euro) as at end of February 2018 vs previous curve



| <i>RFR with VA</i> | <i>10yrs</i> | <i>20yrs</i> | <i>60yrs</i> |
|--------------------|--------------|--------------|--------------|
| <i>Feb 2018</i> | 1,02% | 1,53% | 2,99% |
| <i>Jan 2018</i> | 0,99% | 1,46% | 2,95% |

2. Change in Volatility Adjustment and Credit Risk Adjustment

| | January | February |
|---|---------|----------|
| Volatility Adjustment (VA) (bps) | 0 | 1 |
| 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 February 2018 RFR with VA | 904 | 739 | 171 |
| Present Value change from January 2018 | -0.3% | -1.3% | -2.0% |

4. Symmetric Adjustment of the Equity Capital Charge

| Feb 2018 | Jan 2018 | Dec 2017 | Nov 2017 | Oct 2017 | Sep 2017 | Aug 2017 | Jul 2017 |
|----------|----------|----------|----------|----------|----------|----------|----------|
| 0.52% | 3.10% | 1.90% | 2.03% | 3.39% | 2.40% | 0.87% | 1.17% |