

To: Solvency II Working Group
 From: Prudential Team
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 Reference: ECO-SLV-18-023

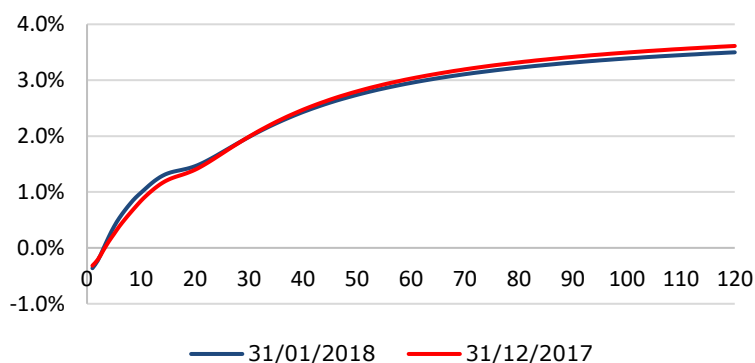
Subject: RFR monthly monitoring January 2018

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 as at 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 January 2018 vs previous curve



| <u>RFR with VA</u> | <u>10yrs</u> | <u>20yrs</u> | <u>60yrs</u> |
|--------------------|--------------|--------------|--------------|
| Jan 2018 | 0,99% | 1,46% | 2,95% |
| Dec 2017 | 0,84% | 1,40% | 3,03% |

| <u>RFR without VA</u> | <u>10yrs</u> | <u>20yrs</u> | <u>60yrs</u> |
|-----------------------|--------------|--------------|--------------|
| Jan 2018 | 0,99% | 1,46% | 2,95% |
| Dec 2017 | 0,80% | 1,36% | 3,01% |

2. Change in Volatility Adjustment and Credit Risk Adjustment

| | December | January |
|---|----------|---------|
| Volatility Adjustment (VA) (bps) | 4 | 0 |
| 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 January 2018 RFR with VA | 906 | 748 | 175 |
| Present Value change from December 2017 | -1.4% | -1.3% | 4.6% |

4. Symmetric Adjustment of the Equity Capital Charge

| Jan 2018 | Dec 2017 | Nov 2017 | Oct 2017 | Sep 2017 | Aug 2017 | Jul 2017 | Jun 2017 |
|----------|----------|----------|----------|----------|----------|----------|----------|
| 3.10% | 1.90% | 2.03% | 3.39% | 2.40% | 0.87% | 1.17% | 0.90% |