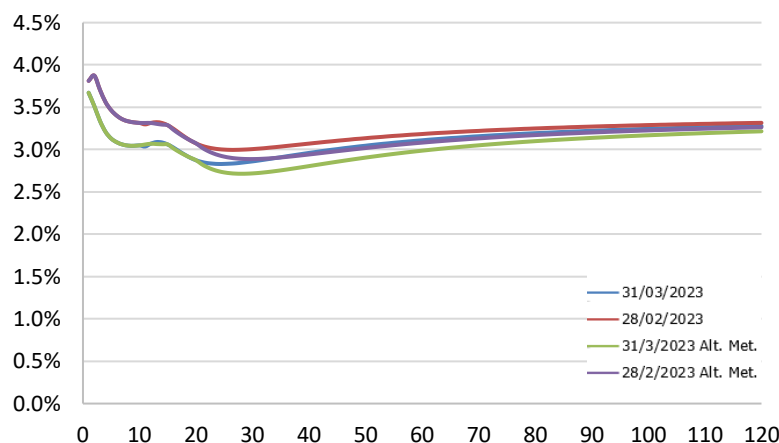


To: Solvency II Working Group  
 From: Prudential Team  
 Date: 07-04-2023  
 Reference: ECO-SLV-23-069  
 Subject: RFR monthly monitoring – March 2023

## 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). Additional information on alternative extrapolation method proposed by the EC as part of the Solvency II review is included for reference only.

### 1. RFR curves with VA (euro) as at the end of March 2023 vs previous curve



| <i>RFR with VA</i> | <b>10yrs</b> | <b>20yrs</b> | <b>60yrs</b> |
|--------------------|--------------|--------------|--------------|
| <b>Mar 2023</b>    | 3.05%        | 2.87%        | 3.11%        |
| <b>Feb 2023</b>    | 3.32%        | 3.07%        | 3.18%        |

| <i>RFR without VA</i> | <b>10yrs</b> | <b>20yrs</b> | <b>60yrs</b> |
|-----------------------|--------------|--------------|--------------|
| <b>Mar 2023</b>       | 2.85%        | 2.67%        | 3.02%        |
| <b>Feb 2023</b>       | 3.13%        | 2.88%        | 3.10%        |

| <i>Alternative extrapolation Method*</i> |              |              |              |
|--|--------------|--------------|--------------|
| <i>RFR with VA</i>                       | <b>10yrs</b> | <b>20yrs</b> | <b>60yrs</b> |
| <b>Mar 2023</b>                          | 3.05%        | 2.87%        | 2.99%        |
| <b>Feb 2023</b>                          | 3.32%        | 3.07%        | 3.08%        |
| <i>RFR without VA</i>                    |              |              |              |
| <b>Mar 2023</b>                          | 2.85%        | 2.68%        | 2.91%        |
| <b>Feb 2023</b>                          | 3.13%        | 2.88%        | 3.01%        |

\*secretariat calculations based on a convergence parameter of 10% and no changes in the VA calculation

### 2. Change in Volatility Adjustment and Credit Risk Adjustment

|   | <b>March</b> | <b>February</b> |
|---|--------------|-----------------|
| <b>Volatility Adjustment (VA) (bps)</b> | 20           | 19              |
| <b>Credit Risk Adjustment (bps)</b>     | 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:

|   | <b>10yrs</b> | <b>20yrs</b> | <b>60yrs</b> |
|---|--------------|--------------|--------------|
| <b>Present Value using March 2023 RFR with VA</b> | 740          | 567          | 159          |
| <b>Present Value change from February 2023</b>    | 2.6%         | 3.9%         | 4.4%         |

### 4. Symmetric Adjustment of the Equity Capital Charge

| <b>March 2023</b> | <b>February 2023</b> | <b>January 2023</b> | <b>December 2022</b> | <b>November 2022</b> | <b>October 2022</b> | <b>September 2022</b> | <b>August 2022</b> |
|-------------------|----------------------|---------------------|----------------------|----------------------|---------------------|-----------------------|--------------------|
| 0.68%             | 1.26%                | 0.87%               | -3.02%               | -1.24%               | -4.76%              | -8.10%                | -4.95%             |