Memo for information

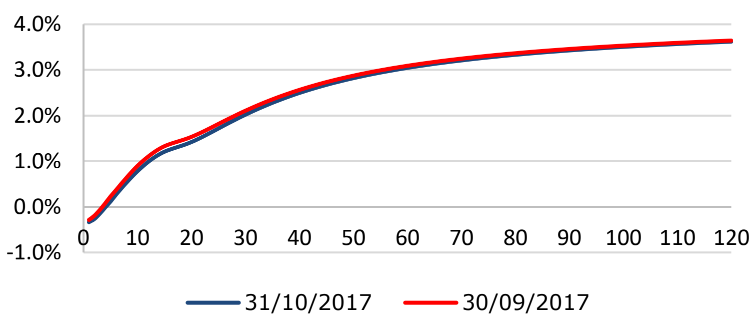
To: Solvency II Working Group
From: Prudential Team
Date: 9 November 2017
Reference: ECO-SLV-17-249

Subject: RFR monthly monitoring October 2017

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 providing their methodology for calculation can be found here. The secretariat monitors EIOPA's RFR curves published for the euro as well as the symmetric adjustment on a monthly basis and provides below the summary information for members (Source: EIOPA, Insurance Europe).

1. RFR curves with VA (euro) as at end of October 2017 vs previous curve



RFR with VA	10yrs	20yrs	60yrs
Oct 2017	0,78%	1,42%	3,05%
Sep 2017	0,90%	1,53%	3,09%

RFR without VA	10yrs	20yrs	60yrs
Oct 2017	0,75%	1,39%	3,03%
Sep 2017	0,83%	1,46%	3,06%

2. Change in Volatility Adjustment and Credit Risk Adjustment

	September	October
Volatility Adjustment (VA) (bps)	7	3
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 October 2017 RFR with VA	925	754	165
Present Value change from September 2017	1.2%	2.3%	2.7%

4. Symmetric Adjustment of the Equity Capital Charge

Oct 2017	Sep 2017	Aug 2017	Jul 2017	Jun 2017	May 2017	Apr 2017	Mar 2017
3.40%	2.40%	0.87%	1.17%	0.90%	2.26%	2.10%	1.36%

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