EIOPA: Q&A (styczeń 2021 r.)

Question ID: 1881

- **Question:**

Please can you confirm that the new VA portfolio referenced in the news article below is to be used in the construction of the risk free rates from 31st March 2019?

https://eiopa.europa.eu/Pages/News/EIOPA-updates-representative-portfolios-to-calculate-volatility.aspx

We note that there is no mention of this update on the main webpage for risk free rates.

- **EIOPA's Answer:**

Yes, we confirm that the updated representative portfolios for the calculation of the volatility adjustment is to be used in the construction of the risk-free rates from 31st March 2019 onwards.

There is a mention of this update on the dedicated risk-free rates webpage in the section 'Background Material '.

Question ID: 1919

- **Question:**

How many EU insurers use the Solvency II Standard Formula to derive their capital requirements in terms of SCR?

- **EIOPA's Answer:**

EIOPA indeed published basic statistics on Standard Formula and Internal Models users by country. You can find the file (tab 'Method of SCR calculation') under the following link.

Question ID: 2084

- **Question:**

We would like to know what type of credit quality step is meant to be used with respect to equity positions when they are applied to the market concentration risk module? Is it correct to use credit ratings with respect to equity positions? Do insurance undertakings have to adjust these ratings by a certain number of notches so as to consider the higher risk that is connected to equity position compared to debt positions? Do insurance undertakings have to pursue another approach?

- **EIOPA's Answer:**

For the purpose of the calculation of market concentration risk such equity positions should be seen as "unrated" and therefore be allocated to CQS 5.

Question ID: 2227

- **Question:**

According to the instructions of the QRT S.03.01, it is required to fill the cells C0020/R0100 and C0020/R0110 with the Solvency II value of the collaterals held. Our question is about the mortgages that are held as collateral. Should we consider all kind mortgage ? For example: First-rank mortgage, second-rank mortgage, collateral mortgage and contractual mortgage. Should these kinds of mortgage be valued under Solvency II and reported as collateral held in the QRT S.03.01?

- **EIOPA's Answer:**

S.03.01 should include all collaterals to which the undertaking may have direct access. Therefore mortgages should be considered.

Question ID: 2170

- **Question:**

My question is related to the valuation under the equity method of an non financial participations which is dedicated to the development of computer applications for the parent company. Therefore, when I calculate the value of the invested company, eliminating the value of the intangibles, I obtain negative own funds, and lower than the book value of the invested company in the parent company. The question is relative to whether the parent company has to value the invested company in its economic balance sheet at 0 or has to consider a negative value of its invested company in the economic balance sheet.

- **EIOPA's Answer:**

If the limited liability principle applies to the related undertaking, then the parent company should cap the value (determined with the adjusted equity method) of its participation in it to 0. Otherwise no cap should apply. See also previous Q&A #836 for reference.

Question ID: 2145

- **Question:**

Some instrument as subordinated notes have very long maturity date but they also have, in specific cases, First Call Date which are shorter. I would like to know if the duration set in the SCR Spread calculation can be based on the First Call Date or if it must be based on the Maturity Date (which will be more cautious)?

- **EIOPA's Answer:**

The answer proposed by the questioner is correct: for the purpose of the calculation of the spread risk SCR of such instrument, the calculation of the duration should be based on the "Maturity Date" so that a prudent value is yielded.

Question ID: 2144

- **Question:**

This relates to a clarification around "Article 38 Risk Margin – Reference Undertaking" focused on the premium volume measure for historic business. Per Article 38 (d) - the reference undertaking does not have any insurance or reinsurance obligations or own funds before the transfer takes place; Is it appropriate to make the assumption that the premium volume measure should only include existing business that it actually transferred to the "reference undertaking" and earned within it and also that this could be different to the volume measure within the transferring entity?

- **EIOPA's Answer:**

According to article 38 1. (d) of the Delegated Regulation 2015/35 on the assumptions related to the reference undertaking for the calculation of the risk margin, "the reference undertaking does not have any insurance or reinsurance obligations or own funds before the transfer takes place". For the purpose of the calculation of the risk margin, the derivation of the volume measures for premium risk should therefore be based on the assumption that the reference undertaking does not earn any premium stemming from existing (at the transfer date) insurance or reinsurance obligations before the transfer of these obligations takes place. The premium risk volume measures of the reference undertaking may therefore differ from the premium risk volume measures of the original undertaking.