EIOPA Stress Test 2014

Questions & Answers as of 15 May 2014

28 May 2014

ID	Document	Topic	No. Para	Question	Answer
		Reporting template			
1	eiopa-14-216-st14-templates.xls		BS+.Assets(CF)	Could you please explain in more detail what is to be entered here, I found no advice in the Technical Specifications, etc. . Are there any explanations for this survey?	You find information on the expected cash flows to be reported in paragraph 29, 56 and 57. The cash flows should be undiscounted. Cell B6 in spreadsheet "BS+.Assets(CF)" should state "Year (projection of undiscounted expected cash-flows)", this will be updated accordingly in the next published version of the template.
2	eiopa-14-216-st14-templates.xls		BS+.Assets(CF)	We assume, the goal is to list here all assets with secure future cash flows. For an equity investment fund that is not possible, of course. That is why "Total" (cell C6) does not also mean the sum of all assets in the market value balance sheet, correct?	This is correct. Any assets allowing for secure cash flow projections should be added here. In case dividend payments on equity are voluntary and not predictable on a stable best effort basis they should not be added.
3	eiopa-14-216-st14-templates.xls		BS+.Assets(CF)	What is "Other (unrated) fixed income", this name does not appear in the market value balance sheet?	With "Other (unrated) fixed income" any cash flows related to fixed income not related to: a) government bonds, b) corporate bonds, c) structured noted and d) collaterized securities are meant here. The reference to "unrated" is obsolete and will be removed in the next published version of the reporting template. In general, all qualifying cash flows, independent of ratings, can be entered here.
4	eiopa-14-216-st14-templates.xls		BS+ / III - Property exposure	Is the total required allocation here the sum of the market value balance sheet items "property (other than for own use)" as well as the property subset of "Property, plant & equipment held for own use"? Without the position of "real estate funds"? Is that right?	This is not correct. It is expected that any investments in real estate funds should be added to the given categories on the real estate exposure, i.e. the best solution would be to apply a look-through approach. In case a look-through approach is not possible, the second best solution is a relative distrbution on a best effort basis among the categories (e.g. 20% residental and 80% commercial). If a clear investment focus of a particular real estate fund is not given, it is proposed to add the investments of the fund fully to the commercial property sum.
8	Stress Test 2014 Reporting Template		Tab BS and BS+	ABC insurance Group and ABC Life (solo) have been asked to participate in the stress test, namely ABC Group for the core module and ABC Life for the low yield exercise. For both the core test and the low yield exercise, the tabs BS and BS+ need to be filled in in the reporting template. In the case where a Group and a related solo entity are both participating in the Stress Test/ Low Yield exercise, do we need to fill in the template twice and send two spreadsheets in, or can we duplicate the tabs BS and BS+ in one reporting template and send in one spreadsheet?	In these cases EIOPA is expecting two templates to be submitted.
20	eiopa-14-216-st14-templates.xls		BS	In the sum of total assets not all values are included. Cell C39 is not part in the sum of C73. Cell D39 and D56 are not part in the sum of D73.	Version 2 of the spreadsheet introduce a formula in C28:D28 (Investments) suming among other C39:D39 (Investment funds) and fix the formula in C73:D73 (total assets).
21	eiopa-14-216-st14-templates.xls		BS	Cell C116 and D116 aren't linked, so C116 should be C73 minus C114 and D116 should be D73 minus D114.	Correct and fixed in version 2 of the spreadsheet.
22	eiopa-14-216-st14-templates.xls		LTG - all sections	Calculations without LTG – firm is unable to estimate stresses without LTG as necessary information not readily available within the tight timeline. Figure re-runs will be required which is very time consuming. Is this acceptable to EIOPA?	EIOPA expects templates to be fully filled for the stress test exercise. As stated in the specification document, providing LTGA figures is optional. Please provide figures "without LTGA" if you are unable to provide them separately as "with" and "without" LTGA.We can accept 'figures without LTGA' only, but we can not accept 'figures with LTGA' only
23	eiopa-14-216-st14-templates.xls		BS cell C39	Firm does not have a breakdown of investment funds easily available. Can they provide the total only?	Please provide a breakdown of investment funds. As a minimum we require a "look through" to ascertain approximate percentages for investment fund as a minimum in line with Solvency guidelines. Alternatively all funds can be allocated to "private equity" in total.
24	eiopa-14-216-st14-templates.xls		BS cell C73	There is a formulae error in a cell BS C73. Will EIOPA issue a patch/correction to the template?	Please have a look at Q20.
31				In paragraph 29 of stress test specification, the required cash-flows "are those that once discounted with the relevant risk-free curve provide the best estimate value of the technical provisions when summed". That implies that both cash-flows and best estimate can be calculated by applying the volatility adjustment. However, risk-free curves in the complementary spread sheet is given without VA for satellite-module. Could you indicate if calculations are expected with or without constant VA application and which kind of LTG measures is applicable for this module?	As spreads remain constant after stress within the low yield module, all LTG measures (VA, MA, Transitional) should be kept constant when applying the low yield scenarios. The excel sheet with the curves will be changed and published by EIOPA.

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34				In sheets BS.CA1 and BS.CA2 part I.3 in spreadsheet template, could you indicate if rows 137-143 should contain: - the effects on asset and liability after marginal shock on each financial variable or - the breakdown of the overall effect of stress scenario per source of risk?	It is the latter, i.e. a breakdown by source of risk.
35				The model of Group cash-flows projection is based on 50 years or the template is requested on 60 years. Is it possible to fill for years 50 the final outflow, and between 51 and 60 years to fill zero?	The preferred solution in this case would be an estimation of the cash flows for years 51-60. If this is not possible, it would be acceptable to fill the final outflow for years 50+ in year 50. But please leave the minus "-" sign in the cells for years 51 and up to allow us differentiating between a real lump sum in year 50 followed by no remaining cash flows from an absence of information for years 51 and up.
36				What does "LAC " mean? Especially why does "allowing LAC of technical provisions " for assets mean ? What does "Values after stress (with LAC of TP/DT)" for Technical provisions ?	"LAC" stands for "Loss Absorbing Capacity". TP stands for "Technical Provisions". "DT" stands for "Deferred Tax".
41	Reporting template		BS+ II.1 - Bond Portfolio Structure	Supranational issuers and EU institutions are missing in the drop down boxes, we could place them by the placement of the headquarters, but that seems incorrect/misleading?	Version 2 of the spreadsheet will reserve rows 93 (last row from the EEA countries area) and 106 (last row from the Non-EEA countries area) for Supranational issuers and EU institutions.
45	Reporting template		BS	Missing formulas in cell C28 and D28 total investments. Wrong formula in cell C73 and D73 total assets, investment funds are not included.	Please see Q20 and Q21.
46	Reporting template		BS	Missing formulas in C116 and D116 Excess of assets over liabilities	Please see Q21.
47	Reporting template		BS+ II.1 - Bond Portfolio Structure	Total duration in cell H108 is calculated as a simple sum, shouldn't be an average duration like in section II.3 - Durations cells E128 to K128?	True. Formula removed in version 2 of the spreadsheet.
45	Reporting template		BS	Missing formulas in cell C28 and D28 total investments. Wrong formula in cell C73 and D73 total assets, investment funds are not included.	Please see Q20 and Q21.
46	Reporting template		BS	Missing formulas in C116 and D116 Excess of assets over liabilities	Please see Q21.
47	Reporting template		BS+ II.1 - Bond Portfolio Structure	Total duration in cell H108 is calculated as a simpel sum, shouldn't be an average duration like in section II.3 - Durations cells E128 to K128?	True. Formula removed in version 2 of the spreadsheet.
51	Reporting template		BS (cell G176)	Floor to the Group SCR Eligible - the stress test reporting template requires us to complete an eligible own funds section for both the SCR and the Floor to the Group SCR. For the Floor to the Group SCR section, the Tier 3 element has been shaded out, implying that MCR tiering limits should be applied. We cannot find a reference to apply MCR tiering to the Group Floor SCR in the technical specification. Please can you provide clarification for the basis of this requirement.	This part of the reporting template is aligned with the content of the Guideline on submission of information to supervisors, published last November. More precisely, row 176 for groups implement the content published in row 77 of the sheet "OF-B1A-S.23.01.g" of the technical appendix 1. In this, the Tier 3 cell (G77) is shadowed. This is consistent with the technical specifications for the preparatory phase, section G.2.6, paragraph G.51, fourth bullet point
53			SFIS	Can you confirm that the technical provisions in lines 211, 234 & 238 this sheet are gross of reinsurance and include risk margin?	We confirm that the technical provisions in lines 211, 234 & 258 are gross of reinsurance and include risk margin.
54			SFIS	Can you confirm that the technical provisions in lines 212, 235, & 239 in this sheet are net of reinsurance and include risk margin?	We confirm that the technical provisions in lines 212, 235 & 259 are net of reinsurance and include risk margin.
55			SFIS	Can you confirm that the "Best Estimate of products with a surrender option" input in row 213 is the net of reassurance technical provisions excluding risk margin for products which have a surrender value?	Confirmed.
58			BS Rows 279 to 288	Can the information required in the cells headed "Code of single name exposure", "Loss given default" and "Probability of default" be clarified please? The QRT references to the right of these cells does not appear to crrespond with the column headings. Also, can you confirm whether additional lines should be added where there are more than 10 exposures.	QRT reference are indeed wrong. In these, the S.26.01 prefix should be replaced by S.26.02. Please consult the technical annex II of the preparatory guideline for detailed explanation on content to be reported for template S.26.02 (Starts in page 68 of the english version). E.g.: this covers the top 10 exposures only, so no additional row should be added.
62			BS+	What is the meaning of (modified) duration in tabsheet "BS+"? Is it an interest rate or credit duration?	The aim of this cell is to have a workable information on the sensitivity of the market value of bonds to changes in market rates. One of the most used metrics is the 'modified duration' (in general, Macaulay duration / (1+i))
70				Do you consider public sector bonds as sovereign bonds. If so, in which cell of the reporting template should we populate the features of the type of bond? Same question for supranational bonds (bond issued by the European Investment Bank for example).	Public sector bonds should be treated as Sovereign/ Other Exposures, i.e. going into column G of Sheet BS+ Section II.1. The updated reporting template version has a separate row reserved for "Supranational (EEA)" and "Supranational (non-EEA)" bonds under "Other exposures".
76	Stress Test 2014 Reporting Template		Tab: "BS" Cells: C365 - D370	We would like to confirm that the "Gross" and "Net" capital requirements, refer to gross and net of loss absorbing capacity of technical provisions, rather than gross and net positions relating to risk mitigation (i.e. Reinsurance)	We confirm that the Gross and Net positions stated here are referring to gross and net of LAC of TP only. Implicitly these positions are all net of reinsurance.

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77	eiopa-14-216-st14-templates			Mortgage and other loans are not considered to be impacted by the shocks on the yield curve. They are being included in the category "Assets not directly subject to the stress assumptions"? How can this be explained? It is quite strange that mortgage loans and other loans are considered as not being impacted by the low yield scenarios. Should there be a new field for mortgage loans and other loans? Is this an omission in the template?	The categorisation "Assets not directly subject to the stress assumptions" (hereafter (a)) and "Assets stressed under the scenario assumptions" (hereafter (b)) does not imply that assets not listed under (b) do not need to be stressed. All assets affected by the stresses (directly or indirectly) should be stressed. In the example of mortgages and loans, no explicit stress is applied to these assets, but their valuation could be indirectly affected e.g. by an interest rate stress. Therefore, mortgages and loans are expected to be incorporated into (a) taking into account any valuation changes post-stress.
78	eiopa-14-216-st14-templates			Shares are considered to be impacted by the shock on the yield curve. Why should the yield curve impact the market value of the shares?	The reporting template was designed in a way that would keep the formatting as consistent as possible throughout the different stresses, i.e. core (CA) and low yield (LY) stresses. Therefore, the equity position was not removed from the LY sheets.
79	eiopa-14-216-st14-templates			A. & B. Size of relevant business in terms of Technical Provisions (TP) plus development over past 5 years (potentially using the product categories below) and duration of assets & liabilities In life the following product categories are defined: - Contracts without options and guarantees - Contracts with options and guarantees without surrender value - Contracts without options and guarantees with surrender value What about contracts **with** options and guarantees with surrender value? (cfr. Categories non-life) In life there are contracts **with** options and guarantees **with** surrender value. Where should those be classified? Is it allowed to make changes to the different product categories?	This is a mistake in the template and has been corrected for the latest published version of the reporting template.
80	eiopa-14-216-st14-templates			C. Buckets of guarantee levels / fixed discount rates for Long-term Guarantess (LTG) and other low yield exposed business plus development over past 5 years How is the "portion of the business" being defined? Can the company make use of the statutory mathematical provision to define the portion of the business by bucket of guarantee level? BEL are not available by bucket of guarantee.	BEL is the preferred measure here. However, if it is not available by bucket of guarantee, please use a suitable alternative volume measure such as statutory provisions.
		Qualitative Question - Low Yield			
5	eiopa-14-216-st14-templates.xls		LY.Q Question F	Do you have to consider new business expected for the next 10 years?	New business is only to be included to the extend that it falls within the contract boundaries as defined under Solvency II.
7	eiopa-14-216-st14-templates.xls		LY.Q Frage C & F	Some member states have implemented special reserves for guarantee products in the context of the low yield environment. How are these special reserves to be treated, e.g. in questions C and F?	No assumptions on those additional reserves for guarantee products or their potential impact on guarantee rates should be made for the future, i.e. the guaranteed rates should be determined on the basis of the rates mentioned within the insurance contracts, not taking into account the impact of any 'additional national reserves' for these guaranteed products.
10	Stress Test 2014 Reporting Template		Tab LY.Q/A-B	In Tab LY.Q, under A-B, we are asked to provide the split of the technical provisions. In column B, for Life insurance, except unit-linked and index linked, 3 types contracts are defined namely 'Contracts without options and guarantees', 'Contracts with options and guarantees without surrender value', 'Contracts without options and guarantees with surrender value'. We are wondering whether the last contract type is actually meant to be 'Contracts with options and guarantees with surrender value'. This way the whole technical provisions are covered.	The templates will be updated as follows: • Contracts without options and guarantees • Contracts with options and guarantees without surrender value • Contracts with options and guarantees with surrender value
11	Stress Test 2014 Reporting Template		Tab LY.Q/C	In Tab LY.Q under C, we are asked to fill in the percentages of different contract types. We are wondering how these need to be filled. For instance, must cells C24-G24 sum to 100%?	Columns C-G of tables in section C should be filled with TP figures in local currency. All TP values in a row should then add up to the respective figure in section A&B, e.g. cells C24-G24 should add up to cell C9 or cells C80-G80 should add up to cell G9.
12	Stress Test 2014 Reporting Template		Tab LY.Q/C	In Tab LY.Q under C, how should we fill in column H? Should it be the average guarantee rate level for this line?	It should be the TP-weighted average guarantee rate.
32				In paragraph 29 of stress test specification, the required cash-flows "are those that once discounted with the relevant risk-free curve provide the best estimate value of the technical provisions when summed". However, the discounting with the relevant risk-free curve of undiscounted average cash flows doesn't provide the best estimate as cash-flows and financial risks are associated. For some participants, the difference is significant (around 10%). This is especially true for life insurance with participation. Regarding asset cash-flows, specifications do not indicate whether it is needed to consider future assets reinvestments. Could you give more details regarding the definition of required cash-flows on asset & liability sides ?	The liability cash flows associated with the base risk free curve are expected to be sent in, with the recognition that once discounted and added up they do not reproduce the best estimate from stochastic modelling in case optionality is present. Future asset reinvestments should not be considered for the assets valuation purposes. Neither should the future asset reinvestments be considered for the purposes of projecting the cash flows required in the low yield module. Furthermore, both the liability and asset cash flows should be the expected (as opposed to nominal) cash flows given the observed market reference rate. Examples include liability benefit payout cash flows reduced by lapse and/or mortality; or nominal coupons reduced the expected default.
37				Please note, that there is a difference of more then 10% between : The Best Estimate based on stochastic and risk neutral and The sum of expected cash-flows of Liabilities discounted with the risk free curve. Then we think that the request is not consistent.	It is recognised that such a difference can exist. This is acceptable.

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82	eiopa-14-216-st14-templates			G. Under a 'runoff' assumption, at what point in time could asset returns be insufficient to cover guarantees (if at all)? This question is not clear. Does this question have to be seen in relation with the default risk and the equity risk? If, at any time, there is a large default or if the stock markets are performing really poor, the return on assets can change quite significantly. What assumptions have to be taken when answering this question?	Assumption underlying this response should be aligned with the assumptions used for the undertakings' business planning with the exception that new business is assumed to be zero going forward.
83	eiopa-14-216-st14-templates			Do the asset cash flows related to the unit-linked business have to be part of the assets in this sheet of the template?	As the unit-linked liability CFs have to be provided, also the related asset CFs have to be disclosed in the Asset CF sheet of the low yield module.
		Application - Low Yield			
38				Could you please confirm that the two low-yield stress scenarios (satellite module) should be considered as shocks on the base IR curve (hence higher market values at t=0) and not as new base curves (hence equal market values at t=0 than as at end of 2013 calculation)	The two low yield scenarios are indeed to be considered 'stressed' base IR curves (not as 'new base curves')
39				Could you please confirm that the baseline to which we have to compare the two low-yield stress scenarios (satellite module) is the baseline curve in file "eiopa-14-217-stress_test_2014_annex_dc1.xlsx" sheet Main_RFR, "baseline" selected, without VA, and not the one with VA or the one we used for YE2013 calculation (which is with the VA corresponding to our portfolio, taking into account our with profit / non-profit specific allocation, and with credit adjustment) ?	Volatility adjustment is a currency or country specific measure, rather than a undertaking specific. Therefore all participants are requested to use the curves provided by EIOPA in the "eiopa-14-217-stress_test_2014_annex_dc1.xlsx" , both for the baseline as well as for the stressed scenarios. Whether the curve used for the baseline includes the volatility adjustment or not is an option for participants. Should a participant decides to use the baseline curve with volatility adjustment, information on the impact without the volatility adjustment should be provided as well.
56			BS+ LYA Assets(CF)	Is our assumption correct that equities and property do not fall into the category of 'assets for which a cash-flow profile can be obtained' and as such should not be reported?	This is partially correct. Any assets allowing for secure cash flow projections on a best effort basis should be added here. For example, in case dividend payments on equity are voluntary and not predictable on a stable best effort basis they should not be added. The same principle applies for all other asset cash flows which are not predictable on a stable best effort basis. Also see the answer to question 2.
57			BS+ LYA Assets(CF)	Can you provide some examples of changes you would expect to see in the asset flows under the low yield scenarios if the starting portfolio of assets does not change?	See Q32. Examples include default risk and the value of options.
		Application - Core module			
6	Specifications for EIOPA Stress Test 2014		2.1.2 Single-factor-insurance stress	Are the insurance stresses proposed to be used only in the EU or Worldwide?	The insurance stresses are to be applied to all business, i.e. worldwide.
17	EIOPA stress test 2014			The adverse 1 and adverse 2 scenarios for equity risk provide us with a shock on the MSCI Europe index. Does this imply that only the European stocks are in the scope of the shock and that non-MSCI listed stocks are not affected or does the shock imply that all equities (regardless of their location) are affected?	The MSCI Europe index is used for calibration purposes only. The shocks which were derived on the basis of this index should be applied on all equity exposures. (type 1 and type 2 equity).
18	EIOPA stress test 2014			The adverse 1 and adverse 2 scenarios for mortality risk provide us with a change in mortality rates. Does EIOPA imply that the changes are a permanent change or are the meant to indicate a 1 year shock only?	This is a one-off "instantaneous" shock and mortality assumptions would return to normal in the next year.
25	eiopa-14-216-st14-templates.xls		Risk Margin	Can we assume that the risk margin as well as the SCR remains unchanged post any shocks please?	Recalculation of the SCR and corresponding risk margin is optional for firms. However, any curve discounting may need to be considered which could affect the risk margin which the participating firm may wish to allow for.
26	eiopa-14-216-st14-templates.xls		Market Stresses	Can we assume no interaction between the market stress? Firm cannot run simultaneously. If this is not acceptable can EIOPA provide a correlation matrix instead?	EIOPA expects participating firms to run the market stresses simultaneously. EIOPA agreed not to provide a correlation matrix for the 2014 stress test exercise.
27	eiopa-14-216-st14-templates.xls		Core Stresses	Can we assume that the diversification benefit remains unchanged post any shocks please?	Recalculation of the SCR and thus corresponding diversification is optional for firms (i.e. only in those cases in which the SCR is recalculated after the stresses the diversification could change after the stresses).
28				According to the ESRB/EIOPA note on market scenario, "the shocks to government and corporate bond spreads apply to all maturities". On the other hand, Table 1 in stress test specification expresses these shocks in terms of 2Y German bond. The second formulation is confusing. Could you confirm that the same shocks must apply to all maturities?	Yes, we confirm that the stresses given (though derived from 2y bond data) are to be applied to all maturities.
30				The equity stresses for the core module is defined as a stress on the MSCI Europe index. Could you give more guidance to apply equity stresses on others indices?	Please also see Q17
33				Regarding to core-module and satellite-module, could you confirm that transitional on technical provisions, equity and own fund remain constant on the post stress situation?	Yes, we confirm that transitionals remain unchanged post stress.

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40	Specifications for the EIOPA Stress Test 2014		2.1.1 (11)	The 2 adverse scenarios, according to the stress test specifications, include a spread stress. Please specify if these stresses apply to term deposits as well or if this is just for corporate bonds. If it applies to deposits as well, please specify if the stress parameter for covered or uncovered bonds applies to deposits and if the minimum duration of 1 year (which is assumed under the spread risk SCR) applies here as well.	For valuation of assets after the shocks proposed in the core module, spread stresses refer only to Government and corporate bonds, but do not apply to deposits.
48	EIOPA Stress Test 2014			Equity stress is specified for MSCI Europe. How the non-European equities are stressed?	Please also see Q17.
52	Stress Test Specifications			Definition of liabilities in liability inflation stresses -please can you confirm whether this stress is in relation to liabilities lines (SII LoBs 4 and 8 and associated prop and non prop equivalent) or all liabilities (All SII LoBs)	The non-life insurance stresses should be applied to all the non-life lines of business, i.e all obligations of liability as defined (in paragraphs TP.1.15-17 and TP.1.27?) in the technical specifications. This includes the non-SLT health lines of business (medical expenses, income protection, and workers compensation).
59			2.1.1	For both adverse scenarios we used the shocks specified in the "eiopa-14-215_stress_test_2014_specifications.pdf". In general we used the following notation: a) Government Bonds Yield Change = Interest Rates Stresses + Sovereign Bond Stresses Example: (Adverse 1) Assume a Cyprus Government Bond with 2 years to maturity and current yield 6.00% Yield Change = -0.56% + 2.00% Yield after shock = 7.44% b) Corporate Bonds Yield Change = Interest Rates Stresses + Corporate Bond Stresses Example: (Adverse 1) Assume a Cyprus Financial Corporate Bond with 3 year to maturity, BBB rating and currently trading at 8.00% yield. Yield Change = -0.67% + 3.16% Yield after shock = 10.49% We are wondering if this is the correct method to use.	For the core module of the stress test, a 'double hit' approach needs to be applied i.e.: • (1) When applying the spread shock for Core Adverse 1, the shock should be added (as a delta shock) to the total yield as observed @ 31/12/2013. In your first example 6% + 2% = 8%. In your second example, 8% + 3.16% = 11.16%. • (2) When applying the interest rate shock for Core Adverse 1 after the spread shock, one should assume the total yield to stay constant while decreasing the basic risk free curve (notice that this increases the spread). In your first example: 8% remains unchanged but the basic risk free curve is lowered by 0.56% and the spread is increased with the same amount. In your second example, 11.16% remains unchanged but the basic risk free curve is lowered by 0.67% and the spread is increased with the same amount. The methodology for the Core Adverse stresses has been designed in this way in order to ensure that all government bonds are stressed including German Bund. It should be noted that the recalculated Volatility Adjustment figures take this methodology into account. Please also note that the approach taken for the low yield module is different: the low yield shocks do lower the total yield (spread is not assumed to change). Finally, the "Note_on_market_adverse_scenarios_for_the_core_module_in_the_2014_EIOPA_stress_test[1].pdf" as published on EIOPA's website as a background document could be misleading as bond spread stresses over swap rates are provided (for a 2 year maturity). In cases of doubt or inconsistencies, EIOPA's Technical Specifications should give the guidance.
63				Could you please indicate if symetric adjustment on equity should be reassessed in post shock situation?	The symmetric equity adjustment (or equity dampener) changes post stress. Please assume an adjustment of -10% in the case of the equity market stress of 41% (Adverse 1) and -5% in the case of the equity market stress of 21% (Adverse 2).
64				Could you confirm that the recalculation of the Risk Margin after shock is optional (for all stress tests of core module and low yield module)?	We confirm that the recalculation of the Risk Margin after shock is optional for all stresses.
65				In Table 1 of the "EIOPA Stress Test 2014" document, the stress test parameter for sovereign bond is 38 bps in Core module Adverse 2 for France. Can you confirm that this stress should be added to 42 bps (2-year Germand bund) for every maturity ? For example, is it correct that the rate for 5 years France sovereign bond is 1,99% after shock (1,19% + 0,42% + 0,38%) ? What is the rate before stress then ?	Also see Q59. For the specific example, the shock is calculated as follows: • When applying the spread shock for Core Adverse 2, the shock should be added (as a delta shock) to the total yield as observed @ 31/12/2013. In your example (X being the pre stress yield of a 5 yr FR government bond), X% + 0.38%. • When applying the interest rate shock for Core Adverse 2 after the spread shock, one should assume the total yield to stay constant while decreasing the basic risk free curve (notice that this increases the spread). In your example: X% + 0.38% remains unchanged but the basic risk free curve is lowered by 0.09% (IR shock for 5 years maturity) and the spread is increased with the same amount.
66				In Table 1 of the "EIOPA Stress Test 2014" document, the stress test parameter for corporate bond is 24 bps in scenario Adverse 1 for Financials AAA. Our understanding is that this shock should be added to 56 bps (2-year Germand bund) for every maturity. For example, is it correct that the rate for 10 years AAA Financial bond is 2,07% after shock (1,28% + 0,56 % + 0,24%) ? What is the rate before before stress then ?	Also see Q59. For the specific example, the shock is calculated as follows: • When applying the spread shock for Core Adverse 1, the shock should be added (as a delta shock) to the total yield as observed @ 31/12/2013. In your example (Y being the pre stress yield of a 10 yr AAA financial bond), Y% + 0.24%. • When applying the interest rate shock for Core Adverse 1 after the spread shock, one should assume the total yield to stay constant while decreasing the basic risk free curve (notice that this increases the spread). In your example: Y% + 0.24% remains unchanged but the basic risk free curve is lowered by 0.91 % (IR shock for 10 years maturity) and the spread is increased with the same amount.
68				Could you please indicate if the equity stresses (equity stress - adverse 1 = -41% and equity stress - adverse 2 = -21%) in Core module A are also applied on strategic participations ?	We confirm that equity stresses also apply to strategic participations
72	Specifications for the EIOPA Stress Test 2014		65	This states that SCR does not need to be recalculation post-stress, however the Excel tool to assist with producing curves does provide post-ECR-stress curves in "stress 1" and "stress 2". Can we confirm that no SCR recalculation post-stress is required.	We confirm that no SCR recalculation post-stress is required, but it is optional.
73	Specifications for the EIOPA Stress Test 2014		Excel tool	The Excel tool to assist with producing curves suggests that, in "stress 1" and "stress 2", German gilt rates are the same as in "baseline" despite the fact that the risk-free rate has moved. Can we confirm that German gilt rates should remain equal to risk-free rates in both stresses?	We confirm the German gilt rates remain unchanged post the Adverse 1 and Adverse 2 stresses. However, the risk free rate changes and thus a spread is created implicitly for German government bonds post stress. Please also see Q59 for clarifications on the general approach to determining post stress government yields.

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75	Specifications for the EIOPA Stress Test 2014		pg 6-11 Market Stress Scenarios	Which of the stresses (if any) in para 23, Table 1 should be applied to securitised assets in the two Market Stress Scenarios?	Securitised assets shall be treated using the shocks for the 'Financial corporate bonds' in table 1 of technical specifications.
		Risk Free curves			
9	(1) eiopa-14-217-stress_test_2014_annex_dc1.xlsx. (2) eiopa-14-215_stress_test_2014_specifications.pfd		23 Table 1 in the Specification; Tab Main_RFR in the spreadsheet	In 'eiopa-14-215_stress_test_2014_specifications.pfd', Paragraph 23, Table 1, the stresses are shown. In the spreadsheet 'eiopa-14-217-stress_test_2014_annex_dc1.xlsx' the needed shocks are shown. If in Tab Main_RFR, The Netherlans is selected, then we expect that the differences between the curve with no VA baseline and the curve with no VA Stress 1 agree with the shocks on in para 23 Table 1 in the Specicification. However, this is not the case. Please could you explain how this should be understood.	The stresses for the euro of Table 1 in the pdf file 'eiopa-14-215_stress_test_2014_specifications.pfd' apply to the observed par swap interest rate term structure (unadjusted). The risk-free interest rates term structures in excel file 'eiopa-14-217-stress_test_2014_annex_dc1.xlsx' are a zero coupon curves credit risk adjusted. The comparison you refer to, delivers differences 'consistent' with the stresses of the aforementioned Table 1, but not exactly the same figures.
15	EIOPA stress test 2014			Would it be possible to provide us (the industry) with a table similar to the one provided to us on page 9 with respect to the low yield scenarios? The current scenario is only provided by in the spreadsheet but that is difficult to process.	The spreadsheet containing the yield curves as provided by EIOPA includes hidden sheets containing this data. Those sheets can be unhidden by participants. For the low yield scenarios the relevant sheet names start with “LY1” for low yield scenario 1 and “LY2” for low yield scenario 2.
16	EIOPA stress test 2014			The adverse 1 and adverse 2 scenarios for interest rate risk provide us with a shock on the swap curve. Does this also imply a similar shock on all other discount rates used by the insurer?	The shocks on swap rates as derived in the adverse 1 and adverse 2 scenario affect the basic risk free curves (as provided by EIOPA) and, as such, should influence both asset and liability values (the same principle as is applied in the interest rate risk module of the standard formula).In case the question relates to currencies where stresses have not been provided by the Stress Test Specifications, please assume that no stress is applied for those currencies.
19	Spreadsheet discount rates			Would it be possisble to get the password for the discount rate spreadsheet in order to process the discount rates for maturities not provided by EIOPA?	This is not possible. However, if participants require certain maturities not provided by EIOPA, they should inform EIOPA about the missing maturities and EIOPA will try to provide them
42	eiopa-14-217-stress_test_2014_annex_dc1		Main_RFR	Which durations (within the first 20 years) are used as liquid points to determine the curve used?	This depends on the currency. This assessment has been based on the information currently available on depth, liquidity and transparency of trading for each maturity
50	eiopa-14-216-st14-templates.xls			The CRA assumption used in the derivation of the base curves does not appear to be included in Annex DC1	This is correct; In general, figures derived for ST purposes based on methodologies that can potentially vary as to meet the final S2 Delegated acts are provided as a working assumption but not explicitly disclosed in order to avoid parallel discussions. This is the case for the CRA as well as VA, since the methodology cannot be considered definite until the work on Delegated acts is finalised.
43	eiopa-14-217-stress_test_2014_annex_dc1		Main_RFR	Which CRA's are used in the different scenarios. We think it is -10 bp in the base scenario and 0 in all 4 stress scenarios. Is this correct?	For Core stress scenarios, the credit risk adjustment of the baseline is explicitly retained. For Low yield scenarios the credit risk adjustment is considered to be implicit in the selection of the curves described in the technical documentation
44	eiopa-14-217-stress_test_2014_annex_dc1		Main_RFR	Which Volatility adjustments are used in the scenarios? We think it is 22 bp in the base scenario, 99 bp in stress 1; 83 bp in stress 2 and 0 in the both low yield scenarios. Is this correct?	The VA results from the comparison of 1y term with and without VA. Regarding Low Yield stressed scenarios, the excel file will be completed adding the risk free curves with the VA (which for simplicity is understood to be the same of the baseline)
50	eiopa-14-216-st14-templates.xls			The CRA assumption used in the derivation of the base curves does not appear to be included in Annex DC1	This is correct; In general, figures derived for ST purposes based on methodologies that can potentially vary as to meet the final S2 Delegated acts are provided as a working assumption but not explicitly disclosed in order to avoid parallel discussions. This is the case for the CRA as well as VA, since the methodology cannot be considered definite until the work on Delegated acts is finalised.
61			Excel Table to support generation of risk free curves	A consistency question: we noticed that a 10bps credit spread adjustment is deducted in the base line curve, while this is not the case under stress 1 and 2. Also negative rates are not allowed after shock for the EURO, while for the USD, in year 1 negative rates are allowed in stress 2. For the latter we have the concern that this scenario is not realistic as no one will invest in negative rates. We tend to argue that negative rates should be floored to zero.	(a) The calculation of risk free rates curves in core stressed scenarios has taken into account the benchmark used for the calibration of the stresses (2 year non-adjusted euro swap rate). (b) Empirical evidence shows the possibility of negative rates in the short maturities of the interest rates term structures