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|----|-------------------------------------|---------------------------|-------------------------------|--|---|
| | | 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) collateralized 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 The reference to "unrated" is obsolete and will be removed in the next published version of the reporting template.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 distribution on a best effort basis among the categories (e.g. 20% residential 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) summing 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. |

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| 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. |
| 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. |
| | | 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 extent 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 without options and guarantees without surrender value', 'Contracts with 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: <ul style="list-style-type: none"> • Contracts without options and guarantees • Contracts with options and guarantees without surrender value • Contracts with options and guarantees with surrender value |

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| 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. |
| | | 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. |
| | | 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. |
| | | 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 Netherlands 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 Specification. 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 possible 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 |