EIOPA 2024 Stress Test Exercise
Questions and Answers
13 May 2024

Question ID	Publication date	Topic	Paragraph / Template	Question	Answer
1	22-Apr-24	Technical Specifications	128	Within the context of the paragraph 128 of the Technical Specifications, can you please specify which shocks should be taken into account?	The provided RFR rates, within the techncial information file, shall be used for the purposes of evaluating the liabilities. For all other purposes that interest rate swaps shocks are required, e.g., asset revaluations, the shocks that shall be utilised are the ones of the tab "Market_Shocks" of the technical information file titled "Shocks to swaps absolute changes (basis points)", specifcially in the range B2:P25.\nThis will be clarified in the corresponding paragraph of the Technical Specifications.
2	22-Apr-24	Technical Specifications	130	Could you specify the shocks to market-implied expectations on inflation (inflation-linked swaps) in terms of absolute changes (basis points) that we should take into account for maturities that are not explicitly provided and for maturities greater than 10 years?	IRS refers both to nominal swap rates and inflation-linked swap rates (see paragraph 124 of the TS), therefore the methodology described in paragraph 130 of the TS applies to the shocks for inflation linked swaps (in the "Market_Shocks" tab) for maturities not provided, namely :\n"Shocks to sovereign bonds spreads and IRS for maturities not provided in the technical information file should be derived:\n• by interpolation (e.g., spline) for maturities that are not explicitly provided and that are not exceeding the last maturity provided with an explicit shock;\n• by keeping the shock constant for all maturities exceeding the last maturity provided with an explicit shock."
3	22-Apr-24	Technical Specifications	160	Could you confirm that the Mass Lapse shock should be applied to all homogeneous risk groups, including those where the shock would lead to a reduction in technical provisions?	The mass lapse shock shall be applied to all policies independently of whether the discontinuance would result in an increase of technical provisions (with/without the risk margin) or not, Paragraph 160 will be amended accordingly.
4	22-Apr-24	Technical Specifications	160	Should the Mass Lapse shock be applied to credit insurance?	Lapse shock applies only to non-mandatory life contracts. Credit insurance contracts include both non-life guarantees and life guarantees such as term insurance which shall be excluded from the lapse shock as set out in Figure 8 of the technical specifications.
5	22-Apr-24	Technical Information		Could you please provide all the market shock values that are applied within the insurance stress test 2024, i.e. shocks to swaps in absolute changes (basis points) for all maturities that are applied before Smith-Wilson extrapolation?	The liabilities shall be recomputed according to the RFR curves provided in the technical information. The parameters to derive the curves are available in the "Shock_Scenario_RFR_spot_with_VA" and "Shock_Scenario_RFR_spot_no_VA" in lines 4 to 10.\nThe shocks to swaps in absolute changes (basis points) that are applied before the Smith-Wilson extrapolation are in the "Market_Shocks" tab (Table "Shocks to swaps absolute changes (basis points)", range B2:P25) in the technical information file.\nThese shocks are utilized to derive the EIOPA risk-fee rate (RFR) curves via the Smith-Wilson model according to the EIOPA methodology (see Paragraph 125 of the TS), which are also provided in the technical information file.\nShocks to swaps for maturities not provided are derived by interpolation before the last maturity and kept unchanged for all maturities exceeding the last maturity provided (see Paragraph 130 of the TS). See also question 1.
6	29-Apr-24	Technical Specifications	124	Is our assumption correct that the shocks to market-implied expectations on inflations will affect fixed income inflation linked instruments, i.e. Inflation Indexed Bonds (IIB) and Capital Indexed Bonds (CIB)?\nIf yes, can you confirm that for Bond Inflation Linked, the RFR, Credit and Inflation shocks provided have to be combined all together?\nFor example an Italian BTP Inflation Linked with 1yr maturity should be stressed considering the following stresses: Swap (+168 bps), Credit spread (+96 bps) and Inflation implied market expectation (+196 bps)	The shocks to swap rates are provided in nominal terms. Hence, calculation of the post stress value of inflation linked bonds shall include the shocks to inflation explicitly.\nThe shock to yields of inflation linked bonds shall be consistent with the approach described in par. 129 of the Technical Specifications and incorporate the shock to inflation as follows: Shock to yield = shock to swap + shock to spread - shock to inflation. Following the example provided in the question the shock to the 1y maturity yield of the inflation linked BTP shall be 168+96-196=68bps.\nAs a simplification, participants are allowed to neglect the shock to inflation in calculating the post stress value of inflation-linked fixed income assets. Specificities shall be discussed in the pre-validation phase.

7	29-Apr-24	Technical Specifications	124	As far as the definition of Equity Infrastructure investments subject to asset market shocks is concerned, we are unsure on whether the classification should be based on the CIC codes or whether it would be preferable to rely on the classification of 'Qualifying infrastructure investments' as provided by articles 164a-164b SII Delegated Acts. In case a CIC-based classification shall be used, we would also appreciate to have confirmation on the list of codes to be used (CIC 48 and/or other CICs?)	For identifying infrastructure investments, column [C0300] "Infrastructure investment" of the list-of-assets template (S.06) shall be used. Shocks to infrastructures shall be applied to all assets with a numerical code other than "1-Not an infrastructure investment". All infrastructure investments have to be shocked by applying the shocks provided in the Technical Information, tab "Market_Shocks" (cells AU2:AZ5), according to the type of asset (bond, equity, other) and the geographical area (EU, global). Assets identified with numerical code "1-Not an infrastructure investment" in column [C0300] shall be subject to standard shocks. With reference to the Stress Test templates, please note that, as specified in paragraph 213, "in case participants make use of the provided shocks for infrastructure assets, then those shall only be reported to the dedicated table included under the subsection "Other assets" in the 0.Assets, FBS.Assets and CBS.Assets".
8	29-Apr-24	Technical Specifications	Par. 160, figure 8	The mass lapse shock shall be applied to unit-linked products but not to annuities; how about unit-linked annuities? What about dynamic hybrid products (annuities)?	The annuity type of products that shall be considered outside the mass lapse shock perimeter are those in pay-out phase and also those contracts that are either linked to automatic annuitisation or they do not provide lapse option relevant to the instantaneous discontinuance. Products that provide an option to annuitize the accumulated capital, but during the capital accumulation phase offer continuous lapse option / surrender value (ignoring surrender and other penalties that might apply) shall be shocked, assuming instantaneous discontinuance of 20%. Specificities on lapse options (e.g., partial withdrawals options) shall be discussed during the pre-validation phase.
9	29-Apr-24	Technical Specifications	Par. 180 ff.	Expense inflation: Shall expenses for asset management be shocked?	Yes, this is correct. All life and non life expenses should be increased. However, expenses covered by existing contracts on costs (e.g., outsourcing expenses) based on fixed fees (i.e., not linked to inflation), shall be excluded from the application of the shock (see paragraph 183 of the Technical Specifications) for the time horizon covered by the contract.
10	29-Apr-24	Technical Specifications	Par. 115	To what extent can reinsurance measures/adjustments be allowed as reactive management actions? New reinsurance or the renewal of reinsurance that requires the consent of the other party are not allowed, correct?	Opening a new reinsurance agreement or the extension of existing one can be allowed. However, it should be priced in line with the adverse market conditions of the stress test scenario. Additional considerations are whether such a management action is included in the recovery plan shared and approved by NCA and whether it was tested under plausible adverse scenarios. The proper pricing of the contract shall be explicitly elaborated, along with a reasonable amount of relevant details to assess its plausibility under adverse market and economic conditions. The details of the final approach, including, where known, the name and LEI code of the entity acting as reinsurer, shall be described in the qualitative part of the capital/liquidity templates wherever applicable. Where no indication on the potential reinsurance counterparty is provided, still participants shall include detailed information on the approach taken to estimate the pricing under adverse market and economic conditions. For example, in case it is a reactive management action for the capital component, the reactive management worksheet includes standardised questions for the action taken. To provide additional information, the dedicated qualitative information cells in the other worksheets of the templates can be used e.g., the ones corresponding to the affected quantities due to the reactive management action. The information mentioned above should also be part of the discussion during the pre-validation phase.
11	29-Apr-24	Technical Specifications	5.2.1 (160 and figure 8)	According to 5.2.1. paragraph 160, the lapse shock should be applied to non-mandatory life insurances, excluding pension schemes as specified in figure 8. In figure 8 it is mentioned that it applies to traditional products (e.g. endowments) as well as products in which the return is linked to a capital market product such as an index (e.g. unit-linked). We would like a clarification as to whether all pension products, occupational and contractual pensions as well as private pensions products should be excluded from the stress. Regardless of the text in figure 8 that mentions that the stress applies to traditional as well as unit-linked products, our understanding is that the statement that pension schemes are excluded takes priority here.	Defined Benefits and Defined Contributions schemes based products shall be exluded as specified in the paragraph 160. For annuity type of products outside these two categories, please refer to Question 8.

12	30-Apr-24	nplate for liquidity compon	0	Is our assumption about defining groups for assets correct: When reporting the amount of assets in UL and in RFF in liquidity component (for example in sheet "stocks" in fields S.12 and S.13) each asset should be included only once, either as UL or as RFF although the filter doesn't define that RFFs are excluded from UL. (If so, in the filter for groups S.12 and S.12.1 additional condition should be included, that states [C0060] <> 3).	Assets should be reported indeed only once to avoid double counting. For the example given, if the insurance company has RFF that includes UL, then the RFF field should be reported. A specific item on Cash for MA portfolio and RFF has been added in the liquidity template.
13	01-May-24	Technical Specifications	93	We kindly request clarification on recital 93, paragraph 1, of EIOPA-BoS-4/087 Technical Specifications: in a stressed proxy Balance Sheet it can be assumed that all impacts related to cash outflows are transferred into income tax payables and receivables, while all other elements are transferred into DTA or DTL. Specifically, does the reference to 'impacts on cashflows' pertain to Best Estimate Liabilities, even though they also include cash inflows, and do 'all other elements' encompass all remaining balance sheet items, primarily Investments? Consequently, under this interpretation, would a reduction or increase in Investments result in a corresponding increase in DTA/DTL and would an increase or decrease in Best Estimate Liabilities (BEL) affect income tax receivables and payables?\n\nShould there be any discrepancy between our interpretation and the Technical Specifications, it would be greatly appreciated if you could provide an illustrative example. Such an example, detailing which balance sheet items might shift the Deferred Tax Assets (DTA) or Deferred Tax Liabilities (DTL) and which would impact the income tax payable and receivable accounts, would be helpful for an enhanced comprehension.	DTA and DTL shall be recalculated according to the approach used for regular reporting. With regard to one of the potential simplification that could be applied and that is reported in the technical specification:\n• all the cash-flows pertaining technical flows (e.g., payments of claims, expenses, surrender values, premiums, etc) shall be considered under payable / receivables.\n• all the gain/losses stemming from the impact of market shocks on the assets and liabilities (e.g. investment flows, revaluation of provisions), shall be considered as DTA/DTL independently in their materialization.\nIt is worth adding that undertakings are not restricted to the provided example proxy method, and can also consider other proxies.
14	02-May-24	Technical Specifications	Test - Technical-informa	Concerning the shocks to be applied to infrastructure assets, could you please confirm which of the two sentences is correct? (i) the shocks provided in the table shall directly be applied as unique stress or (ii) the shocks provided shall be combined with other market parameters (in example, for infrastructure bonds category if those shocks have to be combined with the term-structure movements and spread shocks). In the latter case could you please explain how to combine different shocks?	Sentence (i) is correct. Please refer to Question 7 and paragraph 151 of the Technical Specification.
15	02-May-24	Technical Specifications	124	What is considered under the Category "Other" for Infrastructure? Is it correct to assume categories such as Mezzanine investments?	Mezzanine investments to be stressed according to the shock provided to "shocks to infrastructure assets", category "other", as per technical information.
16	02-May-24	Liquidity Template	Flows C.6.x	Is our assumption correct that "Other" cash flows in the column "Stressed" should be kept unchanged vs "Baseline" similar to the requirements for Investment flows (C.5.1 - C.5.3)?	In principle, the category "Other" shall be shocked only for its elements that fall within the shocks as mentioned in the technical specifications e.g., expenses inflation.
17	02-May-24	Technical Specifications	63	Neutralisation method: is our understanding correct that for non-insurance entities like AAM, banking or IORPS where sectoral requirements are used in Groups SII capitalization calculation stressed sectoral own funds shall be calculated based on provided stresses but there is no need to explicitly update post stress sectoral requirements as those should be derived in such way that the post stress "insurance sub-group" SII capitalization is unchanged.	Yes, the impact need to be neutralised. Example is provided in the footnote 13 of paragraph 63.

18	02-May-24	Technical Specifications	124	There are slight differences between (1) the rate shocks from the S2 Central/Stress curves and (2) the rate shocks specified in the "Market_Shocks" tab	From maturity 1 to 20 years (last liquid point), the swap rate curve obtained by applying the change in spreads against the baseline provided in the"Market_Shocks" tab to the RFR curve (Baseline) is equivalent to the zero-coupon RFR curve of the "SHOCK_SCENARIO_RFR_spot_no_VA" tab. For maturities over 20 years, there is a divergence due to the fact that the stressed curve is extrapolated and converges to the 2024 UFR, while the Baseline curve converges to the 2023 UFR. Please also consider the answer provided to question 1.
19	02-May-24	Technical Specifications	172	Can you precise which kind of expenses have to be shocked (claims management expenses only, or also investment management expenses, acquisition expenses, administrative expenses)? Are these shocks to be applied on claims reserve only or on claims and premium reserve ?	All expenses included in the life and non-life technical provisions (i.e. the expenses component of claims and premia technical provisions) shall be subjected to the shock to expenses with the exclusion of contracts at costs (if any) as specified in par.183 of the technical provisions (see also the answer provided for question 9 on the type of expenses subjected to the inflation shock). This is also clarified in paragraph 184: "The relevant cash-flows refer to C0020 and C0060 from S.18.01.01, and C0020, C0060, C0100, C0140, C0180, C0220, C0260 from S.13.01.01. Technical specifications are amended excluding the term "claims provisions" in brackets in paragraph 182 of the TS.
20	02-May-24	Technical Specifications	124	Is it possible to apply the inflation shock in the "Market_Shocks" tab not only to indexed bonds (assets) but also to some technical liabilities linked to economic inflation (such as annuities stemming from non-life contracts) ?	The inflation shock in the market shock of the technical information shall be used only for the assets (please refer to Question 6 too). For non life liabilities including related annuities shall be treated according to the shocks to claims and expenses inflation as per section 5.2 of the Technical Specification.
21	02-May-24	Technical Specifications	174	In the case of an inflation assumption already included in the Central scenario for the technical provisions calculations (called "Yi" hereafter), should we consider for the EIOPA stress scenario: - (1) an accumulation of this assumption with the EIOPA shock (called "xi" witch is the excess claims/expenses inflation assumption in the specification) , i.e. : - or (2) consider only the EIOPA shock (and therefore cancel our integrated inflation assumption of the Central scenario)	Insurance inflation shocks provided in the worksheet "Insurance_Specific_Shocks" are excess inflation shocks, they already implicitly include baseline inflation assumptions and should therefore directly be applied to the baseline cashflows as per the methodology detailed in the technical specification (paragraphs 171 to 188).
22	02-May-24	Technical Specifications	181	Would it be possible to clarify the expectations with regards to the shock on expenses. Should we increase the apply the shock to the Unallocated Loss Adjustment Expenses (ULAE) only or should we apply also apply the shock on all the other expenses (such as fixed cost, commissions and acquisition costs)?	All relevant expenses shall be shocked, please refer to Question 9 and references therein.
23	02-May-24	Technical Specifications	Template Capital	For the covered bonds assets, we find a difference between the granularity of the shock assumptions provided and versus the one at which the data must be filled in the Assets tabs of the capital template : - a geographical granularity difference : between the shocks given for the EU / UK / US / Asia / Emerging markets / Other advanced economies; whereas the one required in the capital template (Q.3 of the Assets tabs) at the EU / UK / US / Emerging markets / Other advanced economy levels - a financial / non-financial granularity difference: with this distinction being given in the capital template but not in shock data Is there provision for homogenization between the shock data and the capital template?	The split between financial and non-financial envisages to capture more granular reporting for the reported duration of the assets, enabling more appropriate assessment/ validation of the results. That said, this granularity is preserved, adding an explicit line for the region "Asia".
24	02-May-24	Technical Specifications	Market_Shocks	What is the shock to apply to cash-assimilated instruments (cash, deposits, money market funds, etc.), and for the assets classified as CIC 7X in particular?	In principle, interest rate sensitive assets shall be shocked irrespective of the remaining maturity while cash and deposit without a duration should not be shocked. For example, assuming 6 month bond of EUR 100 face value and 1Y shocked yield of 5.00% (=baseline + ΔYield_level), the shocked market value would be $100/(1+5.00\%)^{0.5}$.
25	02-May-24	Technical Specifications	153	Can you confirm that there is no shock to be applied to the assets classified in the CIC X9 category? In particular, can you confirm that market shocks shouldn't be applied for assets such as "other sovereign bonds" (CIC 19), "other corporate bonds" (CIC 29), "other equities" (CIC 39) and "other investment funds" (CIC 49)?	This is correct. As specified in Article 153 of the technical specifications: "Oher assets classes not specified (e.g. CIC 0 or CICX9 - Other) shall be kept constant in value with respect to the baseline".
26	02-May-24	Technical Specifications	131	Can you confirm that the CH (Switzerland) and UK (United Kingdom) countries are to be classified in the EU area for the asset types for which the information on these countries is not explicitly provided?	CH and UK countries shall not be classified in the UE area, but in the "Other advanced economies" or "Global" areas, depending on the type and granularity of the shocks provided.
27	02-May-24	Technical Specifications	Insurance_shocks	Should the lapse shock be applied before or after the distribution of the discretionary profit participation, calculated at the end of the year?	Profit participation/discretionary benefit shall be recalculated after the application of the full array of provided shock.

28	02-May-24	Technical Specifications	39	Such market reactions would also trigger a sudden revaluation of other financial assets in an uncertain environment characterised by high volatility." - Should we stress the implied volatility of the equity and nominal rates models (via the Put & Swaptions) ? If yes, is there a stress-test given level of shock we should apply, or should we define this shock ? - Should the stochastically credit model used for the diffusion of the corporate spreads be recalibrated according to the parameters of the spread levels ?	The adverse shocks provided are expected to impact profit participation, in particular the stressed yield curve has to be used as input of the ESG. However, volatility shocks are not provided and therefore no recalibration is expected in this regard. Initial values and parameters of credit model used for the diffusion of the corporate spreads are to be kept unchanged.
29	02-May-24	Technical Specifications	69	Following paragraph 69 of the technical specifications, should the amount of transitional measure impacting technical provisions remain constant in the stress scenario? That is, to have a stable impact of the transitional measure on technical provisions on own funds at BPCE Vie level between the baseline and the adverse scenario (excluding the Tier 2 and Tier 3 recognition effect) ?	Yes, it is correct. The amount of transitional measure impacting technical provisions is kept constant in the stress scenario. Moreover, the capital template sheets "FBS.LTGS" and "CBS.LTG" have to be completed on a step-by-step approach without the transition on TP and with the impact of the transitional on TP.
30	02-May-24	Specification; Technical I	Par. 124	Is our assumption correct that only the currencies listed for inflation should be stressed? Specifically, we would like to know how to shock inflation expectation curves that are not denominated in EUR, GBP, USD or JPY.	Yes, only currencies listed in the technical information file in the table "Shocks to market-implied expectations on inflation (inflation linked swaps) absolute changes (basis points)" shall be fall within the scope of treatment as outlined in Question 6.
31	02-May-24	Technical Specifications	5.2.3.2	Shall the shock be applied to the 'gross' or to the 'net' written premia, i.e. shall the baseline of the reinsurance outflows be maintained stable? For instance, taking QRT S.05.01 as a reference, in the case of Life Premia, should row R1410 or R1500 be considered?	The shock has to be applied to gross written premia. No changes to other flows linked to this shock, e.g.: reinsurance as specified in paragraph 193.
32	02-May-24	Technical Specifications	178	Can you please clarify the meaning of provision 178 and how it should be considered in the application of the shock in the liquidity component?	The shock has to be applied to the actual cashflows as specified in the formula. The last part of the paragraph has been removed.
33	02-May-24	Technical Specifications	179 and footnote 44	Can you please clarify how the footnote n° 44 shall be considered in light of provision 179 mentioning that the application of the shock shall have no impact on the reinsurance flows?	For the liquidity component, the only changes to be considered for the reinsurance flows in the stressed scenario are those specified in paragraph 191. The footnote refers to the capital component. Footnote 44 is amended accordingly.
34	02-May-24	Technical Specifications	187	Can you please clarify meaning of provision 187 and how it should be considered in the application of the shock in the liquidity component?	The shock has to be applied to the actual cashflows as specified in the formula. The last part of the paragraph has been removed.
35	02-May-24	Technical Specifications	160 to 163(section 5.2.1)	Mass Lapse shock for life reinsurance business As such a Life reinsurance treaty does not belong to the type of Life contract the EIOPA Stress scenario targets for it mass lapse shock. However, sometimes, Life reinsurance treaties can have an underlying perimeter which is itself concerned by the Mass Lapse shock (e.g. a Life Savings portfolio GMDB cover). In that case, should we apply the mass lapse shock to the underlying Life business and thus take it into account in the Life reinsurance valuation, or should we leave this business unchanged, i.e. without applying any shock whatsoever ?	Yes, the mass lapse shock should be applied on the underlying perimeter that is relevant. As a result, this will affect the life reinsurance valuation.