

Question Answers

22 April 2021



Question ID	Publication date	Topic	Paragraph / Template	Question	Answer
1	22-Apr-21	Technical Specifications	72	Participations incl. credit institutions are to be shocked according to the prescribed shocks for listed equities. As part of the capital component, a stressed SCR has to be calculated. Can we assume that the reduced net asset value according to the sectoral rules also result in lower sectoral capital requirements otherwise a situation could exist that a breach occurs at the level of the participation?	The value of the participations should be recalculated applying the shock to listed equities. The contribution to the SCR of these exposures should be recalculated according to the approach used in the regular reporting applied to the post-stress value of the participation. The approach taken together with any simplification/approximation should be discussed in the pre-validation process.
2	22-Apr-21	Template Capital	0.OF	In cell c0010 R0180-0210 no formula for the total is included.	The template will be adjusted adding the missing formulas. The amendment will be applied also in the templates CBS.OF and FBS.OF designed to capture the post stress positions.
3	22-Apr-21	Template Capital	0.OF	In row 12 of the template (no R number as reference) no formula is included. Should the total of tier1 BOF, tier 2 BOF and tier 3 BOF be reported here? Or should these cells be greyed out?	The template will be amended removing the request for inputs in row 12 in line with the regular QRTs.
4	22-Apr-21	Template Capital	0.assets/ 0.liabilities	EIOPA asks in the templates detailed information on the level of the group based on solo information. Not all entities are providing that data because they are not subject to EU-legislation such as non-EEA subsidiaries. Also the templates are not completed at group level, for example the QRT S17 template. How does EIOPA envisage groups to prepare this information and reconcile with the balance sheet information? In the detailed templates there is no possibility to include assets and liabilities for which no information is readily available.	The templates should be filled-in according to what prescribed in paragraph 210 and 211 of the Technical specifications: "The reported assets shall refer only to the solo entities consolidated via Method 1 in order to grant consistency with the values of the asset classes reported in the balance sheet". This approach should preserve the comparability with the Balance Sheet.
5	22-Apr-21	Technical Specifications	197	EIOPA describes how the reduction in premium has to be included in the capital component. In the description only Life insurance is mentioned. We assume, that the reduction in the new business will have an impact on the post-stress SCR for Non-life (and NSLT) premium- and reserve risk?	Reduction in written premia is not included in the list of the shocks to be considered when recalculating the post stress capital position as shown in Figure n.6 of the Technical Specifications. The point is further elaborated in par. 197. Against this, no impact stemming from the reduction of premia related to life and non-life in-force or new business should be applied in recalculating the post stress balance sheet and the SCR.
6	22-Apr-21	Technical Specifications	195	How should insurers treat the 10% reduction in new business premium if the insurance contracts are already renewed at 2020 YE ie. The cover has already started at 1 January?	The reduction in written premia applies only to the liquidity component as specified in par. 198 of the technical specifications. The shock to written premia should be used to calculate the post-stress position of the cash-in flows related to premiums of non-mandatory in-force and new business (both life and non life) observed from 01/01/2021 to 31/03/2021. The cash-in flows observed in the 90-day time horizon should be recalculated reflecting the decrease of the written premia (-10%). On the specific example included in the question: if the premium of the contract is received already in 2020, or when the insurance product is mandatory by law, the premium written should not be reduced by 10%. If the premium is due in 2021, within the three month time window and when the insurance product is non-mandatory by law, the premiums written should be reduced by 10%.

7	22-Apr-21	Technical Specifications	Market shocks-govies	In the excel template, EIOPA assumes the yields for govies for Germany and France to be zero (France has a rounding up to zero). Is this correct? In the EBA-stress test, the yields for France and Germany are stressed. By the way in an equal manner to that of the Netherlands. Why does EIOPA deviate?	The narrative, the market shocks and their calibration are defined in cooperation with the ESRB. While the narrative and the shocks have been commonly developed for EBA and EIOPA, the calibration of the shocks diverges. This choice was made to reflect i) the characteristics of the industry; ii) the characteristics of the regulatory regimes, and iii) the characteristics of the stress test frameworks. On the specific points: - The shocks to government bond yields for DE and FR are zero or close to zero because they sum the effect of the shock to spreads, which is positive, and of the shock to risk free rate (i.e. shocks to Euro-swaps) which is negative. The shocks to swap and the shocks to spreads point in the opposite direction to fully reflect the double-hit nature of the scenario. A direct comparison between EIOPA and EBA shocks should not neglect the differences in the approach used for their calculation (e.g. time horizon of the calibration). However, even if looking at the simple figures, the shocks to spreads of sovereign bonds are for both EBA and EIOPA scenarios positive and of comparable severity. - The EBA methodology is based on the bucketing of the EU countries into three cohort and the subsequent definition of an average shock to sovereign bond spreads for each cohort. EIOPA opted for a more granular approach calibrating the shocks at a country level.
8	22-Apr-21	Technical Specifications	98	In case of (non material) entities excluded from the perimeter of application of the shocks, how should the scaling be applied? More in details: are participants supposed to apply the scaling i) on each item of the balance sheet deriving the specific scaling factors from the changes of the correnspondig items of similar entities of the group whose positions are calculated applying the prescribed shocks; or ii) apply an average scaling factor to all items (both asset and liabilities) derivative from the overall change in assets and liabilities of similar entities of the group whose positions are calculated applying the prescribed shocks? Whatever tha approach chosen, how they are supposed to fill in all the reporting and validation templates (taking into account that in some templates no linearity apply)? How should the post stress SCR and the OF of the scaled entities be computed (again, we see some issues in applying the scaling approach and then filling in all the templates accordingly considering that linearity doesn't apply to neither of them)? Considering the approximation needed to fill in all the templates when applying the scaling approach, would it be a reasonable way forward to keep these entities constant provided that they are not material in terms of Group Own Funds?	In case participants want to exclude specific asset classes or specific liability portfolios, the scaling approach should be applied and the templates should be filled in accordingly. In case participants opt for the exclusion of one or more non-material / marginally-impacted entities from the scope of the exercise, considering the operational issues in applying the scaling approach to the whole balance sheet and the approximation needed for the recalculation of the OFs and of the sub-modules of the SCRs including the diversification effects, they are allowed to keep the position of those entities unchanged with respect to the baseline. Anyway, the approach chosen has to be discussed with the NCAs during the pre-validation phase. The approach will be included in the "Simplifications and Approximations" section of the Technical Specifications.
9	29-Apr-21	Technical Specifications & Reporting liquidity	Technical specifications: §84 and §92 Reporting liquidity Technical specifications: Stocks	In the reporting template for liquidity, concerning stocks, it is written: "The figures should be reported at the reference date 31 December 2020. Namely: - in the baseline scenario: the actual position registered at 31 December 2020 shall be reported". The "actual position" can be interpreted as the amounts from the QRTs. Is it correct that in this case the "actual position" should be interpreted as the amounts after the application of haircuts.	In the baseline scenario of the Stock Tables, the "actual position" to be reported refers to the amounts from the QRTs at 31 December 2020, before the application of the haircuts. Also in the two stressed scenarios, where the amounts from the QRTs have to be reassessed against the prescribed shocks, the values to be reported should be intended before any application of the haircuts. This applies to both tables regarding Assets (Table Stock.1) and tables regarding Liabilities (Table Stock.2), where no application of the haircuts is expected from the participants when filling in the template. The values with haircuts and weights will be automatically calculated for assets and liabilities respectively. This will be further specified in the technical specifications and liquidity template.
10	29-Apr-21	Technical Specifications	5.2.1.1	The paragraph tells us that only technical provisions are affected by the lapse shock and that the asset side is left unaffected. We believe this to be illogical because of the ensuing outflows of insurance capital; assets must be sold to cover for the outflows in such a case. Can you please confirm that assets are to be left unaffected.	This paragraph refers to the capital component. The mass lapse shock in the context of the stress test exercise refers to the situation where the shock is completely provisioned assuming that no payments take place. Therefore, the liability side needs to be affected, but the asset side not. This is inspired from the article 142 of delegated acts.

11	10-May-21	template - liquidity	stocks	In the liquidity reporting templates the data is segregated to life and nonlife business. We assume health business to be part of nonlife. Is this assumption correct?	<p>The information to be provided depends on the type of entity according to the Solvency II classification:</p> <ul style="list-style-type: none"> - Life undertakings; - Non-Life undertakings; - Undertakings pursuing both life and non-life insurance activity - article 73 (2); - Undertakings pursuing both life and non-life insurance activity - article 73 (5); - Reinsurance undertakings. <p>The information should be provided tab P.Participant cell C11.</p> <p>In case of life undertakings and non-life undertakings the allocation of the health follows the type of business run by the undertaking.</p> <p>For composite undertakings (as specified in row 33 and row 100 of the tab I.Information) the allocation of the health business between life and non-life should follow the principle used in the allocation of the Technical Provisions in the regular Solvency II reporting, namely: health similar to life should be allocated to the life business whereas health similar to non-life should be allocated to the non-life business.</p> <p>Specifically :</p> <ul style="list-style-type: none"> - Undertakings pursuing both life and non-life insurance activity - article 73 (2) (a) should allocate all under the life business; - Undertakings pursuing both life and non-life insurance activity - article 73 (2) (b) should allocate all under the non-life business; - Undertakings pursuing both life and non-life insurance activity - article 73 (5) should split the health business according to the treatment of the technical provision; - Reinsurers should follow the same principle of Undertakings pursuing both life and non-life insurance activity - article 73 (5). <p>Liquidity reporting template will be amended in order to include the differentiation between article 73 (2) (a) and article 73 (2) (b).</p>
12	10-May-21	Reporting liquidity - Technical specifications		How should undertakings fill the reporting template when several entities of the group are not part of the stress test? Is it correct that a single reporting liquidity template should be filled for all solo entities?	<p>While the scope of the 2021 Stress Test exercise encompasses Groups, the assessment of their liquidity position requires the application of the shocks at solo level (ref. par. 62 of the Technical specifications). The selection of the solo entities to be included in the perimeter of the liquidity assessment follows the criteria defined in the Technical Specifications, section 3.1 – Liquidity.</p> <p>Groups are requested to submit one liquidity template for each of the solos included in the liquidity assessment as specified in par. 219 of the technical specification. For example, assuming a situation where a Group is composed by four solo undertakings and that only three of them are identified as relevant for the liquidity assessment, the reporting package to be submitted its NCA should encompass:</p> <ul style="list-style-type: none"> - 1 template for the capital component (filled with group data); - 1 questionnaire for the capital component (filled with group data); - 3 templates for the liquidity component (filled with solo data, one for each of the three solos identified for the liquidity component).
13	10-May-21	Technical Specifications	210	When defining ratings, do participants need to use the ibox methodology instead of the method established in article 4 to 6 of the COM Delegated Regulation (EU) 2015/35 deviating from the methodology used for the regular SII reporting?	<p>When applying shocks specified on credit ratings, participants should refer to the same classification of assets and methods used in their regular reporting in line with the prescription of article 4 to 6 of the COM Delegated Regulation (EU) 2015/35.</p> <p>The reference to the ibox methodology only refers to the dataset used by the ESRB for the calibration of the market shocks.</p>
14	10-May-21	Technical Specifications	n.a.	There is no indication in the technical specification on how to stress investment in infrastructure. Is it our understanding correct that they should be kept constant?	<p>Investment in infrastructure shall be shocked according to the underlying relevant asset class (i.e. using the provided shocks for corporate bonds, equity). A specific clarification is added to the technical specifications.</p>
15	10-May-21	Technical Specifications	146	In para 146 there is no reference to residential property held for own use. How they should be treated? Should they be shocked according the shock provided for office and commercial real estate as the paragraph 146 seems suggesting?	<p>Property for own use should be shocked according the shocks to property held in the investment portfolios. Which means that commercial properties for own use (including offices) should be treated with shocks to commercial real estates whereas properties for own use classified as residential should be treated with the shocks provided to residential real estates. Par. 146 of the Technical specifications is amended with the clarification.</p>