

Information request on the 2020 review of Solvency II: Holistic impact assessment

Questions & Answers as of 17.06.2019

No	Date of publication	Reference (file name, paragraph/tab)	Question	Answer
1.	04/03/2020	Reporting template, all tabs	Most reporting columns are entitled "Amount with Long Term Guarantee measures and transitionals". Should companies fill in the data in these columns even though they do not use LTG measures or transitionals? It thus becomes like filling in "Without volatility adjustment and without other transitional measures" everywhere.	<p>Yes, all undertakings should provide the requested information. The clarification "Amount with Long Term Guarantee measures and transitionals" is only relevant for undertakings applying any of these measures.</p> <p>In the tab "Solvency position", undertakings not using LTG measures or transitionals are expected to report the same figures in columns D, E and F and same figures in columns H, I and J.</p>
2.	04/03/2020	Reporting template, "Volatility adjustment" tab	Can the tab "volatility adjustment" be left blank by those undertakings not applying the measure?	Yes, the tab "volatility adjustment" is only relevant for undertakings currently applying the VA.
3.	04/03/2020	Technical Specification, Para 36	Is it correct that for the purpose of the determination of PVBP (MV FI) all fixed income investments including government bonds need to be shocked?	Yes, that is correct. The application ratio 4 intends to ensure that the impact of the VA on the best estimate does not exceed the impact of spread exaggerations on

				the value of fixed income investments (including government bonds).
4.	04/03/2020	Technical Specification, Para 150 and 153	Is it correct that the ratio of application ratio 4 is turned round in this formula? Is that a mistake or was that done on purpose? If on purpose, what is the underlying motivation?	There is no mistake, the formula is correct in its current form. The formula intends to capture situations where the application of the VA on the best estimate does not fully compensate the impact of spread exaggerations on the assets. A dynamic VA – i.e. application of an increased VA in the spread shock of the standard formula – would thus not mitigate all spread losses but only part of it. The ratio intends to ensure that this limitation is applied.
5.	04/03/2020	Reporting template, “Volatility adjustment”	The validation rule included here, number (11), does not seem to be correct as the general application ratio of 85% is not included. So errors are identified where calculations are actually correct.	Yes indeed, the validation error is disregarding the application of the general application ratio (GAR). So please disregard the error message. No explanation has to be provided in this line.
6.	06/03/2020	Reporting template, “SF only_equity risk” tab	Is the table on HRG information distinguishing by currency or should all best estimate irrespective of the currency that falls under bucket 1 be provided?	Please include all best estimate using the reporting currency in bucket 1 in this table. The information is irrespective of currency considering that no limitation to currencies apply for the purpose of the LTE provisions.

7.	06/03/2020	Reporting template, tabs "IM only – SCR details", "IM only – VA details"	Please be more explicit how the "IM only" tabs link to the technical specifications. For example: What has to be entered on tab "IM only – VA details", how does this relate to the tab "Volatility adjustment"	<p>The tab "IM only – SCR details" is linked to paragraphs 139 and 140 of the technical specifications. In more detail:</p> <ul style="list-style-type: none"> - Block "Base case - information based on QRT S.22.01.": Covers the figures in the official YE 2019 reporting. The figures here are expected to match with the figures in the block with the same title on the tab "Solvency position". - Block "Scenario 1 - SCR with direct DVA on VA <u>currency reference portfolios</u>": Covers figures under the 'direct DVA(RefPF)' as described in the first bullet point of paragraph 139. The figures here are expected to match to the figures in block "Scenario 1" on the tab "Solvency position". - Block "Scenario 1 - SCR with direct DVA on <u>own asset portfolio</u>": Covers figures under the 'direct DVA(own PF)' as described in the second bullet point of paragraph 139. This block takes up the second SCR calculation as required under the enhanced prudency principle described in paragraph 138. The SCR under the
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				<p>enhanced prudency principle would be the maximum of the SCRs under block 2 and block 3.</p> <ul style="list-style-type: none"> - Block "Optional: Scenario 1 - SCR with holistic approach amended to scenario 1": Entries here are optional and this block could be used if an undertaking would like to present a revised holistic approach, that would anticipate a changed 'volatility adjustment' regime, while the blocks 2 and 3 are both based on a direct DVA approach. <p>Paragraph 140 describes the meaning of lines 15 – 17 in the above four blocks.</p> <p>The tab "IM only – VA details" requests data as sketched in paragraph 141. This is for analysis purposes only and should show the VA as it would result, if the VA for the Solvency II balance sheet under scenario 1 would not be determined based on the currency reference portfolios but based on the undertaking's own portfolio. The tab thus is a mirror image of the tab "Volatility adjustment". "IM only – VA details has to be filled additionally to the tab "Volatility adjustment" and serves the purpose to</p>
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				get an indication of the spread position of the undertaking's own portfolio compared to the currency reference portfolios and support the analysis of the SCR and considerations on the enhanced prudency principle.
8.	06/03/2020	Reporting template, "SF only_equity risk" tab	The regular QRT do not require to report the equity risk in the granularity as foreseen in the reporting template, e.g. type 1 equity needs to be split down further. It is possible to report the volume of equity investments in these granular categories but a further reporting of capital requirement in that detail does not seem sensible. Would it be possible to only report the information as available from the QRT, i.e. at the level of type 1, type 2 etc.	Yes, you can leave those cells blank that are not required in the QRT.
9.	09/03/2020	Reporting template, "SF only_equity risk" tab	<p>The omission of requirement b of Art. 171a para 1 DR may lead to a situation where also equity backing own funds may be identified as LTE. Is that understanding correct?</p> <p>And if so, should the table on the information per HRG in lines 66 ff. restrict to information on the best estimate or provide also information on the own funds that is backed by LTE? Similar question arises for information to be provided in line 38.</p>	<p>Requirement g) page 18 of the technical specification, stipulates that only equity backing liabilities can apply the risk charge of 22% (provided all other criteria are met). Thus, no equity backing own funds should fall under the special treatment of Art. 171a DR.</p> <p>For life liabilities, the information per HRG (rows 66 ff.) should restrict to show the value of the best estimate of the life obligations in bucket 1.</p> <p>For non-life liabilities, the calculation of the liquidity buffer should take into account:</p>

				<p>- all assets in the case of a non-life undertaking, also those backing own funds;</p> <p>-assets that can be allocated to non-life liabilities, including own fund assets in proportion of the non-life business, in the case of a composite undertaking.</p>
10.	09/03/2020	Reporting template, "SF only_equity risk" tab	When assessing the volume of equity falling under the provision of Art. 171a DR for scenario 1 we were wondering how criteria g) would be applied in cases that no specific assets are allocated to the HRG of the bucket 1 liabilities but all liabilities are backed by a common pool of assets. Should we apply a proportionate approach, i.e. assume that a share of equity backs the HRG for bucket I (according to its composition to the total best estimate)?	Yes, in this case please use a proportionate approach where no specific assets (including equity) can be directly identified to back specific liabilities of bucket 1.
11.	09/03/2020	Technical Specifications, paragraph 32	The CIC table for fixed income investments includes two times the CIC 54. Please clarify.	<p>The second instance is a typo. In the category 'Collateralised securities' it should read:</p> <p>"Only CIC 62 (collateralised securities mainly exposed to interest rate risk) and 64 (collateralised securities mainly exposed to credit risk)"</p>
12.	09/03/2020	Reporting template, "Solvency position", cells	In the solvency position tab, the cells for scenario 2 relate to the values after the changes introduced as in scenario 1, but without the recalibration of interest rate risk.	Yes. These values should be specified by all participants. In case the participant uses a partial or full internal model that covers interest rate risk, the recalibration

		row 19 to 22 in column L	Should these cells also be filled by undertakings using a partial or full internal model that covers interest rate risk?	of the interest rate risk in the standard formula would not be relevant for the participant, so in this case the values in column L would coincide with the corresponding values in column H.
13.	09/03/2020	Reporting template, "Volatility adjustment"	For the purpose of determining the application ratio 4, do the assets need to be distinguished by currency?	Yes, indeed, for the purpose of the determination of PVBP (MV FI) the fixed income investments as outlined in paragraph 31 of the technical specifications need to be differentiated by currency. The application ratio 4 is determined separately for each relevant currency of the insurance obligations, see also paragraph 27 of the technical specification. Relevant is the currency in which the instrument is issued.
14.	09/03/2020	Technical information	An update of the technical information (version 1.1) has been provided on the EIOPA website. What has been changed from the previous version 1.0?	In the first version, the SCR interest rate up/down shocks under the baseline were not correct as the up and down shocks had been mixed up. This has been corrected. Please use the updated technical information
15.	11/03/2020	Reporting template, tabs with SCR SF information (all tabs beginning with "SF only")	Some of the tabs address information that is specific to the SCR SF calculation (all tabs beginning with "SF only"). Are undertakings that use a partial internal model expected to fill in any of these cells? I	Participants that use a partial internal model are expected to provide the following partial information with regard to these tabs: - Tab "SF only – equity risk": this should be filled if equity risk is

				<p>calculated with the standard formula; otherwise, no entries are required</p> <ul style="list-style-type: none"> - Tab "SF only – Np reinsurance": this should be filled if non-life premium & reserve risk is calculated with the standard formula; otherwise, no entries are required - Tab "SF only – Forborne + def. loans" : this should be filled if default or credit spread risk is calculated with the standard formula. Please fill in only rows for risks covered by the standard formula - Tab "SF only – SCR details": Only relevant if market risk is calculated with the standard formula. The participant should fill in: <ul style="list-style-type: none"> o All information in rows 14 and 16-21 and line 15 only if operational risk is calculated with the standard formula. o All information in rows 36 to 48, 51, 52, 55 and 58.
16.	11/03/2020	Reporting template, "Volatility adjustment"	How should unit- and index-linked assets and liabilities be included in the calculation of application ratios 4 and 5?	The calculation of application ratio 4 and 5 does not distinguish between certain lines or types of business. Thus, the fixed income investments of the unit- and

				<p>index-linked assets according to paragraph 31 of the technical specifications are included in the calculation of the application ratio 4.</p> <p>Similarly, unit- and index-linked liabilities are included in the calculation of the illiquidity application ratio 5.</p> <p>Note though, that business valued as a whole is excluded, both in the calculation of application ratio 4 and 5.</p>
17.	11/03/2020	Reporting template, "Volatility adjustment"	How should supranational bonds be treated for the calculation of application ratio 4?	<p>Supranational bonds should be included in the calculation of application ratio 4 according to the currency these are issued in (see question 13).</p> <p>For the purpose of the calculation of the risk corrected spread under a dynamic volatility adjustment (DVA) and values entered on tabs "IM only - SCR details" and "IM only - VA details", supranational bonds should be allocated to the corporate portfolio, in the relevant CQS bucket, consistently with EIOPA's "Technical documentation of the methodology to derive EIOPA's risk-free interest rate term structures", paragraph 383.</p>

18.	11/03/2020	Reporting template, "Risk Margin"	Which duration should be used for the calculation of the risk margin according to simplification 3?	According to the guidelines on the valuation of technical provisions, this simplification is based on the modified duration of the best estimate insurance liabilities.
19.	11/03/2020	Report template, "SF only – Equity risk"	What if we do not exactly meet the requirement to have a policy in place to hold the equity exposure for five years?	For the purpose of the information request the undertaking can assume that such policy is in place. (See also paragraph 91, letter e) of the technical specifications).
20.	11/03/2020	Reporting template, tabs beginning with "IM only"	Should the tabs beginning with "IM only" also be filled by participants using a partial internal model?	The tabs beginning with "IM only" should be filled only by participants using a dynamic volatility adjustment (DVA) under a full or partial internal model.
21.	11/03/2020	Reporting Template, "SF only – Equity risk"	The template requires information that is not provided in the QRT and would require a number of additional calculations, thus is quite burdensome to deliver. This relates to information on the gross and net SCR for the sub-classes of equity in type 1 and type 2 (the QRT only require the information on the level of type 1 and type 2), i.e. columns D, E, H and I, rows 16 to 20 and 22 to 25. Similar holds for lines 27 to 29 and 31 to 33. Is it sufficient to only fill in the numbers that are available/consistent in the QRT?	Yes, please only provide those numbers that need to be provided in the QRT. No additional calculations need to be performed.
22.	11/03/2020	Reporting template, "Solvency"	According to the baseline scenario, do we have to provide information on the solvency position using the old risk-free interest rate term structures? Or do we have to	Base case scenario solvency position needs to be calculated using the old risk-free interest rate term structures. The

		position", columns D-F	recalculate the position on 31/12/2019 using data coming from the new extrapolation method? Thanks in advance.	new extrapolation method is used only to introduce Scenario 1 and Scenario 2.
23.	18/03/2020	Reporting template, "SF only - Np reinsurance" tab	<p>According to paragraph 123 of the Technical Specifications, "only non-proportional and non-catastrophic covers for premium risk are taken into account in this approach. Both facultative and non-facultative reinsurance may be taken into account."</p> <p>It is not clear which NP reinsurance treaties should be taken into account.</p>	<p>The underlying methodology for the Impact Assessment is based on the assumption that no double counting between CAT submodule and non-life Premium and Reserve occurs.</p> <p>To this extent, only the portion of the treaties which do not cover CAT risks shall be taken into account. This portion shall be identified by the undertakings on a case by case basis.</p> <p>This is necessary as the CAT submodule is not part of the Impact Assessment for Non-Proportional Reinsurance.</p> <p>Please refer to the details set out in Paragraphs 126 to 130 for further details on avoidance of Double Counting.</p>
24.	18/03/2020	Reporting template, "SF only - Np reinsurance" tab	<p>Paragraph 107, letter d), states that a reinsurance contract can be recognized only if it is not in scope of non-life catastrophe or lapse risk.</p> <p>It is not clear which NP reinsurance treaties, especially when some treaties are both on a per risk and per event basis.</p>	<p>The underlying methodology for the Impact Assessment is based on the assumption that no double counting between CAT submodule and non-life Premium and Reserve occurs.</p> <p>To this extent, only the portion of the treaties which do not cover CAT risks shall be taken into account. This portion</p>

				<p>shall be identified by the undertakings on a case by case basis.</p> <p>This is necessary as the CAT submodule is not part of the Impact Assessment for Non-Proportional Reinsurance.</p> <p>Please refer to the details set out in Paragraphs 126 to 130 for further details on avoidance of Double Counting.</p>
25.	18/03/2020	Reporting template, "SF only - Np reinsurance" tab	Can undertakings authorized to the use of USP calculate Non Life SCR using undertaking specific parameters?	No. The proposed methodology should be tested calculating Non Life SCR according to the SF, using market wide volatility parameters.
26.	18/03/2020	Reporting template, "SF only - Np reinsurance" tab	<p>According to paragraph 108 of the Technical Specifications, "the layer should be specified by a retention (a), a limit and a cession rate. The limit should follow the contract details unless the retention is specified per risk. Then the retention (a) should be calculated on the basis of the "per risk retention" ($a_{per\ risk}$) as follows</p> $a = \min(a_{per\ risk}, L) \cdot (2.5 \sqrt{\lambda} + \lambda),$ <p>where L and λ are the average severity (amount of loss) and the average number of losses within the applicable contract over the last five years (if available)".</p> <p>For the purpose of calculating the average severity, should we consider only the portion of the loss under the layer protection or its full amount?</p>	The average severity should take account of all losses net of reinsurance for the portfolio sub-set covered by the per risk cover.

27.	18/03/2020	Technical information	You have provided a new RFR curve under both scenarios 1 and 2. Could you please confirm that a recalculation of both assets and liabilities needs to be performed?	The new risk-free rate term structure is in both scenario 1 and 2 not expected to have an impact on assets other than reinsurance recoverables and deferred tax. Assets should nevertheless be recalculated for the purpose of the SCR interest rate risk.																								
28.	18/03/2020	Technical Specification, MCR	<p>To what segments do accident and sickness refer to? The Solvency II regulation uses different names for the segments.</p> <table border="1" data-bbox="815 687 1509 1091"> <thead> <tr> <th>Segment</th> <th>Factor for technical provisions</th> <th>Factor for premiums written</th> </tr> </thead> <tbody> <tr> <td>Credit & suretyship</td> <td>16.0%</td> <td>17.7%</td> </tr> <tr> <td>Legal expenses</td> <td>5.2%</td> <td>7.8%</td> </tr> <tr> <td>Assistance</td> <td>20.3%</td> <td>6.0%</td> </tr> <tr> <td>Accident</td> <td>5.4%</td> <td>No change</td> </tr> <tr> <td>Sickness</td> <td>No change</td> <td>8.0%</td> </tr> <tr> <td>Workers compensation</td> <td>10.3%</td> <td>9.0%</td> </tr> <tr> <td>NPR health</td> <td>15.9%</td> <td>No change</td> </tr> </tbody> </table>	Segment	Factor for technical provisions	Factor for premiums written	Credit & suretyship	16.0%	17.7%	Legal expenses	5.2%	7.8%	Assistance	20.3%	6.0%	Accident	5.4%	No change	Sickness	No change	8.0%	Workers compensation	10.3%	9.0%	NPR health	15.9%	No change	<p>“Accident” refers to the Delegated Regulation (ANNEX XIX) segment “Medical expense insurance” and “Sickness” to “Income protection insurance”.</p> <p>The technical specifications have been amended accordingly.</p>
Segment	Factor for technical provisions	Factor for premiums written																										
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29.	18/03/2020	Reporting template, “SF only - Np reinsurance” tab	104. Participants are asked to determine whether any of its reinsurance contracts may qualify for reduction of the SCR under the new approach. -> is this an indication that also proportional reinsurance should be considered?	No. This impact assessment is only addressed to non-proportional reinsurance																								

30.	18/03/2020	Reporting template, "SF only - Np reinsurance" tab	123. Only non-proportional and non-catastrophic covers for premium risk are taken into account in this approach. Both facultative and non-facultative reinsurance may be taken into account. -> is this an indication that proportional reinsurance may not be considered?	Yes. This impact assessment is only addressed to non-proportional reinsurance
31.	18/03/2020	Reporting template, "SF only - Np reinsurance" tab	123. Only non-proportional and non-catastrophic covers for premium risk are taken into account in this approach. Both facultative and non-facultative reinsurance may be taken into account. -> is this an indication that proportional reinsurance may not be considered?	Yes. Only non-proportional covers excluding cat covers.
32.	20/03/2020	Technical specification, paragraph 65	<p>Section 5.2.1.2 relates to the impact of changes of Article 31 (4) of the Delegated Regulation on the value of technical provisions. According to the paragraph 65: "Expenses shall be projected taking into account the decisions of the administrative, management or supervisory body of the undertaking with respect to writing new business".</p> <p>Which interpretation of this point - a) or b) - is more appropriate?:</p> <p>a) If undertaking (which will sell new policies in the future) plans administrative costs for the future, then should not take all these costs into technical provisions, because some of them will relate to new business.</p> <p>b) If undertaking (which will sell new policies in the future) plans administrative costs for the future, then should take all these costs into technical provisions, because technical</p>	<p>Interpretation a) is correct. The undertaking should allocate expected administrative expenses to all business. This implies that part of the expenses will be allocated to new business (beyond contract boundaries) and therefore not included in the Best Estimate. Please note that this was already the current approach, the amendment to article 31(4) is related to cases where the undertaking did not expect to write new business but, under article 31(4), still assumed that new business will be written for the allocation of expenses. Under the current proposal it is clear that assuming that no new business will be written is possible if it is in line with the decisions of the AMSB. Q&A 1037 already</p>

			provisions should include the costs related to the new business.	clarified this interpretation and the proposed amendment is just moving that clarification to the Delegated Regulation
33.	23/03/2020	Reporting template, "SF only - Np reinsurance" tab	In this formula there are two parameters: L and λ . Is it correct to calculate them considering only losses (within a group of insurance policies) which trigger the underlying treaty? Or should companies determine the average number and severity, evaluating all the losses derived by those policies?	The average severity L (amount of loss) and the average number of losses λ should be determined based on all losses net of reinsurance for the portfolio sub-set covered by the given cover.
34.	23/03/2020	Reporting template, "SF only - Np reinsurance" tab	Should the cession rate (CR) be calculated as the proportion of the average ceded losses (over the last five years) to the cover of the XL treaty? Or should companies adopt another approach?	Cession rate , is the cession to the reinsurer in % as defined in the treaty contract for the current cover (in the majority of "standard" XL contracts it is 100%).
35.	23/03/2020	Reporting template, "SF only - Np reinsurance" tab	Could you provide the market with a case study for the calibration of λ , L and CR (cession rate) in case of facultative reinsurance? In case of portfolio risks rolling is it anyway possible to compute for facultative mitigation on historical base?	The current approach is less suitable for facultative reinsurance since a facultative cover is a bespoke contract for one particular risk based in general on an independent risk assessment for each individual risk. The average severity L and the average number of losses λ should be determined based on all losses net of reinsurance for the portfolio sub-set covered by the given cover on historical basis over the last five years (if available). Cession rate , is the cession to the reinsurer in % as defined in the contract.

<p>36.</p>	<p>27/03/2020</p>	<p>Reporting template, tabs "IM only – SCR details", "IM only – VA details"</p> <p>Technical information, tab "SRC & Scaling Factors"</p>	<p>It would be useful to know if the allowance for negative spreads is considered for the VA calculation and, consequently, for the DVA modeling (i.e. it seems that spreads of sovereign bonds for CHF and CZK have been floored to zero when calculating the risk corrected spread)</p>	<p>The method proposed by EIOPA does only include a flooring of the risk correction at zero, i.e. no increase of spreads due the risk correction. However, for the purpose of determining the VA in the HIA specification for valuation, standard formula and constant VA approaches in internal models also a flooring of the spreads was applied. In the dynamic VA in internal models, no flooring of negative spreads should be applied. The inconsistency to the VA used for valuation is accepted for the purpose of the HIA.</p>
<p>37.</p>	<p>01/04/2020</p>	<p>Reporting template, "SF Only Equity Risk"</p>	<p>On columns / lines D40 - J40 there is a built-in control for the best estimate information provided in columns / lines D36 - J36 which refers to the information tab "Technical provisions", to ensure issues for base cases and scenario 1 will be consistent between the forms.</p> <p>The control in text is defined as "Total BE reported in this tab is the same as in the tab" Technical provisions ". For example the check looks like this for field D40 "= IF (D36 <> 'Technical provisions'! E18; -1)"</p> <p>The problem is that in the "Technical provisions" tab E18 refers to the total sum of TP for solvency calculation, ie the sum of TP as a whole + BE + RM. Instead, it should refer to E20 in "Technical provisions" if it relates to the Best Estimate issue.</p>	<p>As indicated in the question, validations rules in cells D40-J40 are not correct. So please disregard the error message.</p>

38.	01/04/2020	Technical information	<p>Regarding the Up shock interest rates in Alternative Calibration 2 in the file Technical information, in the table "With volatility adjustment" there, the VA is not being taken into account for NOK and SEK. However, it seems that only the currencies with First smoothing point below 15 BP are treated wrongly, as the VA is taken into account for GBP and EUR.</p> <p>In addition, we would like to point out a spelling error in the Technical Specification. The heading of 7.1.4., "Alternative interest rate risk calibration 1 – FSP-specific calibration" should read "Alternative interest rate risk calibration 2 - ..."</p>	<p>The technical information file has been corrected.</p> <p>With respect to the heading 7.1.4 of the technical Specification, we confirm that there is an spelling error.</p>
39.	08/05/2020	Technical information	<p>Macro-economic VA This part is less documented in the "Holistic Impact Assessment" review from EIOPA and we had to take some assumptions on the methodology.</p> <p>What is well defined is the trigger mechanism and the meaning of this macro-economic VA: It is calculated as a country specific add-on (EEA countries only) which triggers when the country specific risk-corrected spread (RCS – which corresponds to VA before application ratio) meets the following two requirements:</p> <ul style="list-style-type: none"> • $RCS_{country} > 1.3 * RCS_{EUR}$ • $RCS_{country} > 60 \text{ bps}$ <p>These thresholds are "weakened" compared to the current methodology where the trigger happens when $RCS_{country} > 2 * RCS_{EUR}$ and $RCS_{country} > 85 \text{ bps}$. Thus the triggering should happen more often.</p>	<p>We confirm that the triggering conditions of the macro-economic VA are correct. However, the size of the add-on is calculated differently. Due to the different basis – the permanent VA is calculated on the currency representative portfolio and the country representative portfolio is the basis for the macro-economic VA – and to avoid applying a scaling factor to an inconsistent basis (e.g. the currency scaling factor to the country spread), the scaling factor should directly be applied before calculating the difference of currency and country spread. So the</p>

		<p>What is more in the grey zone is the add-on that should be added to permanent VA in case the trigger occurs. This has been defined in the very first consultation paper as :</p> $\text{Country add - on} = GAR * \omega_{country} * \max(RCS_{country} - 1.3 * RCS_{EUR}, 0)$ <p>With</p> <ul style="list-style-type: none"> $\omega_{country}$ is a factor that linearly varies from 0 (when $RCS_{country} < 60bps$) to 1 (when $RCS_{country} > 90bps$) which smooths the add-on and avoids big discontinuities in the VA in case of triggering of country VA. <p>Nothing is said about what the GAR should include (this first consultation paper had been set up without the $Scale$ factor being defined for instance). Thus we have taken the hypothesis that :</p> $\text{Country add - on} = GAR * AR_4 * AR_5 * Scale_{country} * \omega_{country} * \max(RCS_{country} - 1.3 * RCS_{EUR}, 0)$ <p>Which gives</p> $VA_{country} = VA_{permanent_{EUR}} + GAR * AR_4 * AR_5 * Scale_{country} * \omega_{country} * \max(RCS_{country} - 1.3 * RCS_{EUR}, 0)$ <p>So the add-on is also computed with a full application ratio where the $Scale$ factor is based on the country reference portfolio, while the permanent VA fully relies on EUR reference portfolio. If we would base the full computation on country $Scale$ factor, we could otherwise end up with a triggered country VA still lower than the EUR VA in case $Scale_{EUR} > Scale_{country}$.</p> <p>Can you confirm our understanding is correct?</p>	<p>formula of the macro-economic VA is the following:</p> $VA_{macro} = GAR * AR_4 * AR_5 * \omega_{country} * \max(RC_{S_{country}} - 1.3 * RC_{S_{currency}} * Scale_{currency}; 0) * Scale_{country}$ <p>where:</p> $\omega_{country} = \frac{RC_{S_{country}} - 60}{30}$ <p>if $60 < RC_{S_{country}} \leq 90$,</p> <p>whereas it is equal to 0 when $RC_{S_{country}} \leq 60$ and equal to 1 when $RC_{S_{country}} > 90$</p> <p>The total VA applicable for an undertaking i located in country is:</p> $VA_{permanent}^i + VA_{macro,country}^i$
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40.	08/05/2020	Technical information	Can macro-economic be used when projecting the 1Y RW scenarios (DVA)?	No, the macroeconomic VA cannot be used in the DVA framework. This was not explicitly stated in the technical specification but only noted in line 25 on tab "IM only - VA details" of the reporting template.
41.	26/05/2020	Reporting template, "SF only - Np reinsurance" tab	According to paragraph 108 of the Technical Specifications and respective Q/A, the average severity should take account of all losses net of reinsurance for the portfolio subset covered by the per risk cover. This means the average severity contains all losses (even the losses below the original retention) on the net basis. Is this correct? If yes, then the average number of losses (parameter Lambda) is heavily influenced by very tiny losses that are below the original retention.	<p>The reading of the technical specifications and the role assigned to attritionals in the portfolio retention definition, are both correct.</p> <p>The current expression seeks to combine the mitigating effects of per risk covers with the fact that the dominant risk for premium and reserve risk has to do with frequency volatility rather than with the severity.</p>
42.	26/05/2020	Reporting template, "SF only - Np reinsurance" tab	According to paragraph 112 of the Technical Specifications, can you please explain, how the "V Gross" should be calculated if more than one reinsurance contracts are assigned to one group of policies? Is there any allocation expected to avoid multiple-counting of V Gross?	Paragraph 124 details the partitioning of the portfolio into non-overlapping groups of insurance contracts in which each group is covered by no more than one insurance contract. If a contract or a group of contracts is covered by more than one NP-cover, the insurer has to select one and no more than one of these covers.
43.	26/05/2020	Reporting template, "SF	According to paragraph 112 of the Technical Specifications, if the base case "V prem" is already net of proportional reinsurance and this proportional reinsurance comes after	Vprem is the premium volume net of the SF reduction for NP reinsurance. The sum

		only - Np reinsurance" tab	all non-proportional treaties, can you please confirm that "V Gross" is the gross of proportional and non-proportional reinsurance? Can you please also confirm, that the "V^net_prem" is net of proportional and non-proportional reinsurance?	<p>of the Vprem values for partitioning elements should be equal to the premium volume as reported in QRT's.</p> <p>Vgross is the volume of the gross premiums associated with a partition element consisting of policies covered by and associated with a specific NP cover. The gross premium is obtained by removing the 80% NP reductions for the 3 LoB's.</p> <p>If the proportional reinsurance comes after non-proportional treaties can be seen as an extra layer with a particular cession rate, it can be taken into account.</p> <p>Please note that the proposed NP adjustment mechanism doesn't interact in any way with any potential proportional reinsurance covers. In fact, the impact of proportional reinsurance covers should be taken into account before the NP issue should be considered.</p>
44.	26/05/2020	Reporting template, "SF only - Np reinsurance" tab	According to paragraph 117 of the Technical Specifications, if the cover (b) is specified per risk in the treaty, should we consider the frequency assumption for the parameter (b) similar to the parameter (a) in paragraph 108 to ensure consistency between parameter (a) and (b)?	Although it is not part of the specifications, EIOPA agrees with the interpretation.

45.	26/05/2020	Reporting template, "SF only - Np reinsurance" tab	According to paragraph 120 of the Technical Specifications, can you please explain how the "V ^{net_prem} " should be calculated? We interpret this "V ^{net_prem} " = $V_{prem} - Red / (3 * \sigma_s)$. Is this correct? If yes, should we re-allocate the V _{prem} which is the base premium volume, into all reinsurance contracts?	Yes, the calculation of V ^{net_prem} is correct. On the reallocation of V _{prem} in reinsurance contracts, EIOPA would like to highlight that the sole purpose of V ^{net_prem} is to correct the volume measure for risk mitigations associated with NP covers. As such the Solvency 2 application of V ^{net_prem} should be restricted to the determination of the SCR for premium and reserve risk.
46.	26/05/2020	Reporting template, "SF only - Np reinsurance" tab	Would that be possible to consider surplus reinsurance via the system? They do qualify as NP reinsurance but the features in it, regarding the calculation from the claim side, could also be considered via the formula.	If the surplus contract comes down to the reinsurance of a layer (possibly with no limit), and if all the conditions from the technical specifications are satisfied, it can be taken into account.
47.	26/05/2020	Reporting template, "SF only - Np reinsurance" tab	How can the formula be applied if there is an AAD in the contract?	EIOPA's understanding is that the abbreviation AAD stands for Annual Aggregate Deductible. If this is the case, the technical specification clarifies that the cover of the contract should correspond unconditionally to a layer of the possible losses on these insurance policies. If the AAD does not allow to

				meet the conditions set, then it cannot be taken into account.
48.	26/05/2020	Reporting template, "SF only - Np reinsurance" tab	In 124 it is stipulated that if there are several layers in a contract, then they can all be taken into account Sometimes several contracts are signed (one for each layer) because you want to define different conditions (leader, exclusion,...) per layer. However from a cession perspective, it ends up with the same effects as one layered contract. Can the successive contracts be taken into account?	If all the conditions are satisfied, then the different layers may be combined also if they come from the separate contracts.
49.	26/05/2020	Reporting template, "SF only - Np reinsurance" tab	Is 127 also applicable if there is no overlapping between the facultative and the treaty? (i.e. in case the retention after application of the facultative is protected by a treaty which stops when the facultative starts?)	No. It might be that there is in fact no double-counting in some cases. But the current specifications are not sufficiently granular to accommodate these more complicated situations.
50.	26/05/2020	Technical specification, paragraph 144	What is base case to be considered for the calculations under scenario 2? Is it the "Alternative Extrapolation Method RFR" or the "normal" RFR as at 31.12.2019 that has been used for the Solvency II reports?	In scenario 2, the alternative RFR extrapolation curve similar to scenario 1 should be used.
51.	26/05/2020	Technical specification, paragraph 144	Should the adapted correlation between spread and interest rate risk according to chapter 5.4.1.2 be taken into account in the calculations under scenario 2?	Yes, the adapted correlation should be taken into account.
52.	26/05/2020	Reporting template, tab "solvency position"	Error message in tab „Solvency position“: we were notified about a case where Tier 2 own funds are not taken into account as part of the eligible own funds, but only in the "excess of assets over liabilities". The minus amount in the error message corresponds exactly to the Tier 2 own funds. The problem is mainly that the field dedicated to explain the error is "write-protected", so it is	Undertaking should disregard the error message.

			not possible to give an explanation to the error. How should the undertaking proceed on that?	
53.	26/05/2020	Reporting template, tab "navigation"	The "basic completeness check" for the tab "Risk Margin" shows "NO" if the field "modified duration of insurance liabilities" for Non-Life is empty. This is generally the case for a life insurance undertaking. Is this what is expected from the completeness check in that case?	If the undertaking has only life business, the referred check should be disregarded.
54.	29/05/2020	Reporting template, "SF only - Np reinsurance" tab	The reinsurance undertaking has two property and marine non-proportional outward reinsurance contracts which cover as well proportional and non-proportional inward reinsurance contracts. How to apply those non-proportional outward contract which cover as well proportional as non-proportional inward reinsurance contracts/policies? And (general) how to apply this specification for reinsurance undertakings if their portfolio contains proportional and non-proportional inwards reinsurance?	Undertakings are requested to apply the instructions provided in the Technical Specifications to any non-proportional reinsurance contract that is eligible to be considered for the purpose of the Holistic Impact Assessment. Proportional reinsurance contracts are not part of the scope of the analyses.
55.	29/05/2020	Reporting template, "SF only - Np reinsurance" tab	The reinsurance undertaking has non-proportional outward reinsurance contracts in which almost no losses has occurred (they have this contract since 3 years and had only one claim, in second contract no claims history). How should they calculate retention (a) in the case of not having the historical values of claims?	EIOPA agrees that there can be cases where non proportional reinsurance contracts have almost or no losses over the life of the contracts. The purpose of the Holistic Impact Assessment is also to analyse the impact of these cases in the market. Undertakings are requested in any case to calculate the retention following the instructions provided in the Technical Specifications.
56.	29/05/2020	Reporting template, tab	We would like to ask for confirmation if the validation rules in reporting _template_v1.0.xls at sheet „Solvency position" in cell D35 is correct.	The cell D12 in the "Solvency position" tab refers to the amount of technical

		"Solvency position"	<p>According to this validation the amount reported in cell „Solvency position“ D12 (gross TP) need to be equal to the amount at sheet „Technical provisions“ computed as follows E12+E18+E24-E16-E22-E28 (which is the net TP).</p> <p>Does it a correct interpretation that in cell D12 at sheet "Solvency position" the gross TP is need to be reported? If the net TP should be reported in cell D12 and the validation rule is wrong, how should it be treated in the file?</p>	provisions net of reinsurance. The validation rule is consistent with this.
57.	29/05/2020	Technical specification, page 30	Concerning the determination of OFB (Own Funds Buffer), please confirm the interpretation that the NSA values in the table on page 30 (item 159) of the technical specifications for the test are given in base points. So for the currency PLN should be assumed a negative spread of -0.01%?	Yes, this is correct. The values in the table on page 30 are given in basis points.
58.	29/05/2020	Reporting template	In the case of questions and spreadsheets that do not apply to a given insurance company, can they be left blank (thereby allowing the validation formulas contained in the Navigation tab not to be met), or should cells be filled with zero values where possible?	No, these cells should be left blank. Red colors in the "completeness check" table in the navigation tab that arise because these cells are empty (since they are not applicable for the undertaking) can then be ignored.
59.	29/05/2020	Reporting template, Tab "SF only – SCR"	<p>The template instructs that cells E36:E38 are to be filled in as per S26.01.01.02. We do not report values on this QRT these are separately reported in the remaining part and ring fenced funds versions of S26.</p> <p>For the purposes of this EIOPA work should we simply populate these cells with the sum of the equivalent values from the Remaining Part and RFF versions of this QRT?</p>	For the purpose of this info request, the sum of the figures reported in several versions of S26 should be reported together. However, in case ring-fenced funds are immaterial, they don't need to be included.

			Should this tab be populated with values that are the sum of the Remaining Part and RFF values, or just the Remaining Part?	
60.	17/06/2020	Technical specification, page 16	We have equity backing non-life obligations and pass all of the criteria for application of LTE apart from the HQLA test. Is it still possible to apply LTE?	No, to apply LTE to equity backing your non-life obligations, also the HQLA test needs to be passed. If this is not the case, no LTE can be applied.