

Errata: Guidelines on reporting for Financial Stability Purposes

The following corrections have been reflected in the updated Guidelines on reporting for Financial Stability Purposes (incl. annexes).

Technical Annex A

(1) template in S.38.01.11 — Duration of Technical Provisions is amended as follows:

- a) the rows after R0200 are deleted;
- b) the following rows are inserted after R0200:

“Option-adjusted duration of technical provisions

		Option-adjusted Duration	Technical provision volume
		C0030	C0040”.
Technical provisions, Life excluding unit-linked	R0300		
Technical provisions, Non-Life	R0400		

Technical Annex B

(1) Section S.38.01.11 — Duration of Technical Provisions is amended as follows:

- a) in the ‘General comments’ section the following is added at the end:

“The Option-adjusted duration table is not mandatory. Notwithstanding, in case of material optionalities embedded in the technical provisions individual undertakings and groups should align with their national supervisory authority the need to report this duration metric.”;

- b) in the table, the rows after row C0020/R0200 are deleted;

c) in the table, the following rows are added after row C0020/R0200;

"Option-adjusted duration of technical provisions		
C0030/R0300	Technical Provisions, Life excluding unit-linked – Option-adjusted Duration	Option-adjusted ¹ duration (the present value sensitivity for a unit change in yield taking into account embedded optionalities) of technical provisions, life business excluding unit-linked products without investment guarantees.
C0030/R0400	Technical Provisions, Non-Life – Option-adjusted Duration	Option-adjusted duration of technical provisions, (the present value sensitivity for a unit change in yield taking into account embedded optionalities) non-life business.
C0040/R0300	Technical Provisions, Life excluding unit-linked – <i>Technical provision volume</i>	The volume of technical provisions associated with the duration value in cell C0030/R0300.
C0040/R0400	Technical Provisions, Non-Life – <i>Technical provision volume</i>	The volume of technical provisions associated with the duration value in cell C0030/R0400.

“.

¹ Option-adjusted duration is conceptually able to take into account the variability of cash-flows under changing economic environments. This concept is based on a full revaluation of the balance sheet positions in scope and therefore considers both aspects: 1) change in discount rates and 2) change of cash flows. More concretely, the option-adjusted duration for Technical Provisions would be calculated as follows:

$$D_{TP}^{oa} = \frac{TP_{IRdown} - TP_{IRup}}{2 \cdot \Delta y \cdot TP_{base}}$$

where $TP_{(t)}$ is the market-consistent value of Technical Provisions in the respective scenario at the reference date. Accordingly, TP_{base} refers to the baseline scenario while TP_{IRup} and TP_{IRdown} refer to the scenarios with parallel interest rate movements up and down, respectively. Both scenarios IR up and IR down are described by an absolute parallel shift of $\pm\Delta y$ of the underlying market curve at the reference date (e.g. swap or government yield curve). The yield curve shift would be a parallel shift of the whole term structure with a shift level of +/- 50 basis points and this parallel-shift would be applied to the assets when revaluating technical provisions. This shift would also be the basis for determining the RFR for recalculating TP_{IRup} and TP_{IRdown} . However, a parallel shift would only be applied to the liquid part of the RFR term structure i.e. up to the last liquid point (LLP). This would be combined with the extrapolation-technique and –parameters applicable at the reference date in order to determine a shifted extrapolated RFR-term structure. I.e. when comparing the shifted and base RFR term structures this would technically correspond to a twist (and not a parallel-shift). The shifted RFR curves will be published on EIOPA website on a semi-annual basis.