Information note

Appendix 1 presents the results of the estimations performed by EIOPA staff of the effect of the latest available Council compromise proposal (Compromise #4). Limitations due to the granularity or completeness of available data were supplemented using expert judgment.

Results are presented in 4 sets of 2 columns[1]:

- The first set presents the results obtained with the pure own funds adjustment methodology as used to support EIOPA recommendation (Tables 26 & 27 in pages 156 and 157).
- The next set presents the result of the same methodology, using an application ratio of 65%.
- The third set presents the results obtained when moving to a technical provision approach for the volatility adjustment.
- The last set of columns estimates the combined effect of the volatility adjustment, the transitionals and the changes in the matching adjustment parameters.

Appendices 2 and 3 provides some background information on per country levels used for the volatility adjustment and per asset classes and per duration bands effects of the changes in the marching adjustment parameters.

Some comments on the provided quantitative estimates:

- While the LTG exercise was requiring participating entities to apply the tested measures the Compromise #4 envisages an application subject to prior approval by the supervisory authority. The estimations made here assume an automatic application of the measures even if not needed by an individual undertaking (e.g. application of transitionals).
- The effect of transitional applied at a homogeneous risk group couldn't be estimated due to the lack of granularity in the available data. The simulation performed is based on an application at the scope of the full entity.
- Comparing the results of the 65% own funds approach with the 65% technical provision approach shows a material decrease of the surplus. This essentially comes from the assumed triggering of the country-specific tax-regime on valuation changes in a balance sheet. The effect on the coverage ratio is less systematic, due to the complex set of incidences of the technical provisions approach on the capital requirements. The results using a 65% application ratio with the technical provisions approach are comparable to an application ratio of 40% using the pure own funds adjustment methodology.
- The mitigating tax-regime effect on the level of solvency capital requirement depends on an undertaking specific economic assessment of the quality of the risk mitigation provided. It should be noted that, for comparability purposes, EIOPA used a harmonised assumption assuming good mitigating properties.

[1] "All sample" and "Life sub-sample". As mentioned in the LTGA report, the quantitative effects emanate essentially from the Life sub-sample.

Appendix 1

Area	EIOPA Report (OF 20%)				EIOPA Report (OF 65%)				Compromise #4 (TP 65%)				Compromise #4 (Combined)			
	All Business		Life business		All Business		Life business		All Business		Life business		All Business		Life business	
Area	SCR	Surplus	SCR	Surplus	SCR	Surplus	SCR	Surplus	SCR	Surplus	SCR	Surplus	SCR	Surplus	SCR	Surplus
EU	150%	130,0	140%	78,4	168%	176,0	161%	119,8	158%	151,0	149%	96,9	170%	176,9	163%	119,2
AT	165%	4,3	167%	4,1	183%	5,4	187%	5,3	176%	4,9	179%	4,7	176%	4,9	179%	4,7
BE	149%	3,7	149%	3,7	193%	7,0	193%	7,0	173%	5,5	173%	5,5	173%	5,5	173%	5,5
CY	205%	0,2	238%	0,2	253%	0,3	298%	0,3	251%	0,3	295%	0,3	258%	0,3	303%	0,3
DK	201%	3,9	201%	3,9	210%	4,1	210%	4,1	208%	4,1	208%	4,1	220%	4,5	220%	4,5
EE	301%	0,1	301%	0,1	314%	0,2	314%	0,2	272%	0,1	272%	0,1	278%	0,1	278%	0,1
FI	139%	1,7	112%	0,3	156%	2,4	132%	0,9	154%	2,3	129%	0,8	164%	2,8	145%	1,3
FR	148%	26,0	152%	19,3	167%	36,2	176%	28,2	154%	29,9	158%	22,8	156%	31,4	160%	23,5
DE	152%	30,7	107%	2,4	167%	39,2	127%	9,1	168%	38,0	128%	8,6	193%	46,7	165%	16,7
GR	24%	-1,2	15%	-1,2	151%	0,8	152%	0,7	102%	0,0	99%	0,0	102%	0,0	99%	0,0
IE	82%	-0,8	-	-	90%	-0,5	-	-	88%	-0,5	-	-	113%	0,6	-	-
IT	167%	14,9	168%	15,0	203%	22,5	203%	22,5	177%	16,8	177%	16,8	177%	16,8	177%	16,8
LT	258%	0,1	258%	0,1	290%	0,1	290%	0,1	284%	0,1	284%	0,1	287%	0,1	287%	0,1
LU	136%	0,8	199%	0,3	150%	1,1	223%	0,4	147%	1,0	198%	0,3	152%	1,1	202%	0,3
MT	240%	0,1	240%	0,1	291%	0,1	291%	0,1	274%	0,1	274%	0,1	274%	0,1	274%	0,1
NL	196%	11,9	217%	11,1	241%	17,5	274%	16,5	208%	13,4	232%	12,5	229%	16,1	239%	13,4
PL	322%	7,8	385%	4,0	323%	7,8	386%	4,0	325%	7,9	387%	4,0	325%	7,9	387%	4,0
PT	56%	-1,3	36%	-1,4	89%	-0,3	73%	-0,6	73%	-0,7	51%	-0,8	75%	-0,6	53%	-0,8
RO	150%	0,1	-	-	152%	0,1	-	-	158%	0,1	-	-	158%	0,1	-	-
SK	259%	0,9	259%	0,9	274%	1,0	274%	1,0	272%	0,9	272%	0,9	272%	0,9	272%	0,9
SI	148%	0,2	148%	0,2	153%	0,3	153%	0,3	155%	0,3	155%	0,3	160%	0,3	160%	0,3
ES	139%	2,9	86%	-0,8	149%	3,6	97%	-0,1	144%	3,3	91%	-0,5	180%	5,8	135%	1,8
SE	172%	26,1	155%	17,8	178%	28,4	162%	19,8	167%	25,1	150%	16,7	167%	25,1	150%	16,7
UK	92%	-2,3	91%	-2,3	97%	-0,7	97%	-0,7	97%	-0,8	97%	-0,8	128%	7,3	128%	7,3

Appendix 2

The following table compares the absolute level of adjustment at end 2011 as used in EIOPA report (table 25 in page 155) or using a 65% application ratio. Countries for which the national top-up would have triggered are shown on a salmon background.

	EIOPA Report		Compromise #4	
Area	Currency based (2011 level in bps)	Currency + country (2011 level in bps)	Currency based (2011 level in bps)	Currency + country (2011 level in bps)
AT	25	25	82	82
BE	25	25	82	82
BG	4	19	14	60
CY	25	129	82	419
DK	9	9	31	31
EE	25	25	82	82
FI	25	25	82	82
FR	25	25	82	82
DE	25	25	82	82
GR	25	212	82	689
HU	35	35	115	115
IE	25	25	82	82
IT	25	46	82	148
LI	5	6	17	17
LT	44	44	144	144
LU	25	25	82	82
MT	25	48	82	155
NL	25	25	82	82
NO	22	22	72	72
PL	3	3	11	11
PT	25	61	82	199
RO	35	35	114	114
SK	25	25	82	82
SI	25	25	82	82
ES	25	25	82	82
SE	11	11	36	36
UK	17	17	57	57

Appendix 3

The following table compares the level of matching adjustment in basis points per asset classes and duration bands used in the LTGA (with the 75% cap and the A limit) with the Compromise #4 parameters at end 2011.

		Euro denominated					GBP denominated				
		AAA	AA	A	BBB	CAP	AAA	AA	A	BBB	CAP
Financial <5 years	LTGA	69,3	116,1	249,9	529,7	249,9	76,1	141,2	330,1	608,0	330,1
	Compromise #4	69,9	142,1	321,6	725,0	725,0	76,1	162,3	414,7	819,3	819,3
Financial [5,10) years	LTGA	101,4	160,3	279,4	479,6	279,4	179,2	187,7	322,3	466,3	322,3
	Compromise #4	107,0	185,1	333,2	603,5	603,5	189,6	224,0	397,1	587,5	587,5
Financial [10,15) years	LTGA	81,7	165,0	97,4	11,1	97,4	145,2	237,7	285,9	320,4	285,9
	Compromise #4	95,7	201,7	-	76,1	76,1	156,9	272,3	334,1	404,9	404,9
Financial 15+ years	LTGA	81,7	165,0	197,7	11,1	197,7	106,0	207,2	123,8	98,9	123,8
	Compromise #4	-	-	233,2	-	-	123,3	234,9	138,9	-	-
Industrial <5 years	LTGA	94,0	41,2	57,1	164,4	57,1	10,1	17,7	37,9	69,9	37,9
	Compromise #4	94,0	44,8	69,5	195,0	195,0	94,0	44,8	69,5	195,0	195,0
Industrial [5,10) years	LTGA	87,7	86,0	97,4	196,4	97,4	10,3	18,3	41,4	73,0	41,4
	Compromise #4	93,6	98,6	116,2	233,3	233,3	93,6	98,6	116,2	233,3	233,3
Industrial [10,15) years	LTGA	87,7	79,4	189,0	215,6	189,0	9,9	17,9	41,5	72,9	41,5
	Compromise #4	-	104,0	237,3	282,4	282,4	-	107,6	238,1	282,4	282,4
Industrial 15+ years	LTGA	87,7	79,4	131,1	215,6	131,1	9,9	17,9	41,5	72,9	41,5
	Compromise #4	-	-	187,1	-	-	-	-	194,5	-	-
Utility <5 years	LTGA	94,0	93,4	110,7	317,7	110,7	10,1	17,7	37,9	69,9	37,9
	Compromise #4	-	98,5	119,7	357,3	357,3	-	98,5	119,7	357,3	357,3
Utility [5,10) years	LTGA	87,7	143,6	147,9	233,9	147,9	10,3	18,3	41,4	73,0	41,4
	Compromise #4	-	158,2	170,5	252,4	252,4	-	158,2	170,5	252,4	252,4
Utility [10,15) years	LTGA	87,7	188,8	214,9	290,4	214,9	9,9	17,9	41,5	72,9	41,5
	Compromise #4	-	213,9	245,0	299,1	299,1	-	217,8	245,0	299,1	299,1
Utility 15+ years	LTGA	87,7	180,6	131,1	215,6	131,1	9,9	17,9	41,5	72,9	41,5
	Compromise #4	-	216,0	-	-	-	-	229,1	-	-	-

For the 37 entities which provided classical matching adjustment information, the weighted average effect of using these parameters would have been an increase of 35 basis points of the matching adjustment level, with the set of assets held at end 2011.

LTGA	with 35%	with BBB cap	Compromise #4
150,6 bps	+ 29,0 bps	+ 5,9 bps	185,5 bps