**Technische specificatie van de DNB impact analyse van de Amenderende Richtlijn Solvency II, versie 2.0**

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**Adjustments V2.1 compared to V2.0:**

* In the table with CIC codes for the CSSR in paragraph 29, two columns right of “6”, CIC code 54 is replaced by CIC code 64.

# 1. Introductie

1. Deze uitvraag bestaat uit een kwantitatief en een kwalitatief deel. De uitvraag heeft tot doel verzekeraars voor te bereiden op de implementatie van de Amenderende Richtlijn. Het kwantitatieve brengt de financiële impact van de Solvency II herziening op de sector als geheel en op individuele verzekeraars in kaart. Voor DNB en verzekeraars is dit van belang om proactief te kunnen reageren op huidige en nieuwe risico’s door vooruit te kijken naar toekomstige ontwikkelingen in de solvabiliteit. Daarnaast is een wijziging in de berekening van de solvabiliteitspositie voor verzekeraars een trigger om te bepalen of dit leidt tot een herijking van het kapitaalbeleid, hedgebeleid en dividendprognoses.
2. Het kwalitatieve deel activeert verzekeraars en DNB ten aanzien van de operationele en beleidsmatige voorbereiding. De Solvency II Review vergt aanpassingen op operationeel gebied en mogelijk beleidswijzigingen bij verzekeraars en in toezicht. Aan de hand van de kwalitatieve vragenlijst wil DNB van verzekeraars een beeld krijgen van de mate waarin zij zich op de implementatie voorbereiden. Daarnaast wil DNB verzekeraars activeren om de gewenste en benodigde wijzigingen in kaart te brengen voor de eigen organisatie.
3. De peildatum voor de kwantitatieve impactanalyse is 31 december 2024. Vervolgens wordt de uitvraag, zowel het kwalitatieve als het kwantitatieve deel, jaarlijks herhaald tot de daadwerkelijke implementatie van de Solvency II Review. In volgende iteraties kan de uitvraag worden aangepast op basis van ervaringen en nieuwe ontwikkelingen.
4. Deze versie van de technische specificatie is gebaseerd op teksten die op zijn laatst in januari 2025 zijn gepubliceerd, samen met de inzichten in de specificaties per die maand. De wijzigingen in de Solvency II Richtlijn zijn inmiddels gepubliceerd in het publicatieblad van de EU[[1]](#footnote-2) en dus finaal. Een concept Gedelegeerde Verordening is nog niet beschikbaar. Voor deze versie van de uitvraag zijn de verwachte wijzigingen in de Gedelegeerde Verordening gebaseerd op de EIOPA-opinie uit 2020[[2]](#footnote-3) en het Commissie advies uit 2021[[3]](#footnote-4), tenzij latere inzichten hiervan afwijken. Deze technische specificatie geeft dus een voorlopig beeld van de impact van de wijzigingen in de Solvency II Review. De Commissie heeft de publicatie van de concept-Gedelegeerde Verordening gepland voor 2025Q2.
5. In de huidige uitvraag wordt gewerkt met scenario’s die de meest waarschijnlijke beleidsopties bevatten. Dit kan nog veranderen. De keuzes die hiervoor zijn gemaakt, zijn geen verwachting of standpunt van DNB.
6. De sluitingsdatum voor inzending van antwoorden op deze uitvraag is vrijdag 30 mei 2025. Verzekeraars kunnen dit via Mijn DNB indienen. De kwantitatieve resultaten kunnen worden ingediend via Dienst Rapportages en de kwalitatieve vragenlijst kan worden ingediend via Toezicht Uitvragen.
7. Deelname aan deze uitvraag is vrijwillig. DNB roept alle verzekeraars op om mee te doen. DNB vindt het namelijk voor alle individuele verzekeringsentiteiten van belang dat zij inzicht hebben in de verwachte financiële impact en dat zij zich voorbereiden op de benodigde operationele en beleidsmatige wijzigingen.
8. Schadeverzekeraars met slechts kortlopende verplichtingen kunnen, in plaats van een doorrekening, aangeven dat zij geen kwantitatieve impact verwachten. Zij beantwoorden dan alleen de vragen in het kwalitatieve deel. **Let op**, ten opzichte van de geconsulteerde versie zijn de door EIOPA voorgestelde aanpassingen aan de natuurlijke catastrofe-risicoparameters toegevoegd. DNB nodigt schadeverzekeraars uit om de kwantitatieve impact impact vast te stellen. Het kwantitatieve deel richt zich alleen op solo-entiteiten en niet op groepsentiteiten.
9. **Terugkoppeling**: DNB zal geen kwantitatieve resultaten opnemen in een publieke terugkoppeling of persbericht. DNB zal een terugkoppeling met geaggregeerde resultaten aan de deelnemende verzekeraars verzorgen. De vorm waarin dit gebeurt wordt later bepaald.
10. De specificaties en het formulier sluiten zoveel mogelijk aan op de Holistic Impact Assessment (HIA) door EIOPA in 2020[[4]](#footnote-5). Daarom is het vervolg van dit document opgesteld in het Engels.

# 2. General approach of the information request

1. The quantitative results should be reported is an Excel file named “Reporting template DNB impact assessment”. Next to this Technical Specification document, two additional Excel files are provided. These files provide technical information on interest rate curves and details regarding standard formula natural catastrophe risk: “Technical information” and “2023 2024 Reassessment Exercise of natcat risks - Zonal Calibration\_all”.
2. **Scenarios**: Participants are requested to provide information in the reporting template on their solvency position in accordance with two scenarios:
   * **Baseline scenario**: the current framework for Solvency II based on Directive 2009/138/EC
   * **Expected new regime**: the new framework for Solvency II based on the text adopted by Council of the EU and the European Parliament on amendments to the Solvency II Directive (<https://data.consilium.europa.eu/doc/document/ST-5481-2024-INIT/en/pdf>), the 2020 EIOPA opinion (<https://www.eiopa.europa.eu/document/download/3c7759d5-a97a-4bc4-bfae-875c5d460d56_en?filename=Opinion%20on%20the%202020%20review%20of%20Solvency%20II.pdf>) and the 2021 Commission advice to the Parliament and the council on Level 2 ([eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0580](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0580))

The information for these scenarios can be found in the file **“Technical information”**,which is provided alongside with this impact assessment.

1. **Additional interest rate scenarios**: Insurers participating in the impact assessment can voluntarily calculate two additional interest rate scenarios (interest rate curve YE2024 +/- 100bps). A recalculation of the baseline scenario under the current Solvency II regime but under the different interest rate environment is then also required. Information for two additional interest rate scenarios for both the current framework and the expected new regime is provided in the file **“Technical Information”** (as described in 3.1.1.). If you decide to calculate these two additional interest rate scenarios, you are asked to supply additional copies of the reporting template (with both recalculated baseline figures and figures in the expected new regime). Note that for these additional interest rate scenarios the comparable values in the QRTs will obviously be different.
2. **Required information**: Participants should complete all participation information on the sheet “Participation information”. In addition, the following type of information needs to be provided for both the base case scenario and the expected new regime such that the submission can be considered complete:
   * the balance sheet according to S.02.01.01.01
   * available own funds and eligible own funds to cover SCR according to S.22.01.01.01
   * in case the VA is used the undertaking-specific VA per currency and it’s components
   * details on the risk margin
   * the MCR and its components (floors, ceiling, linear life component, linear nonlife component)
   * the SCR and information on modules, sub-modules, adjustments for loss-absorbing capacity of deferred taxes and technical provisions and the capital requirement for operational risk, both for SF and (P)IM.
   * in addition, background information on some of these calculations.

The insurer has the option to also report the available own funds and eligible own funds to cover the MCR according to S.22.01.01.01.

1. **Simplifications**: Simplifications may be used in case they do not lead to materially different outcomes which would lead to different conclusions on the impact of the SII review. Simplifications may be used without prior approval from DNB. Please list the simplifications in the columns “Explanation insurer” in each excel sheet or in a separate document which can be included via Dienst Rapportages.
2. **Reference date**: The reference date for the impact assessment is **31 December 2024**.
3. **Deadline:** Participants should submit their results to DNB in the provided Excel reporting template via DLR. The submission deadline is Friday the 30th of May.
4. **Technical information:** These technical specifications are supplemented by an Excel file “Technical Information” that sets out the following information for the baseline scenario and the expected new regime:
   * Basic risk free interest rate term structures for the EUR, JPY and CZK. If you need the basic risk free interest rate term structure for other currencies, please contact us to discuss the feasibility. Note that minor differences are observed compared to EIOPA published rates because of data limitations.
   * Risk-free interest rate term structures including the (undertaking specific) currency VA
   * Risk-corrected spreads, scaling factors and the scaled risk corrected spreads for the calculation of volatility adjustments for the EUR, JPY and CZK currencies. If you need the VA for other currencies, please contact us to discuss the feasibility.
   * SCR standard formula shocks for the interest rate risk sub-module
   * Basic risk free interest rate term structures for two additional interest rate scenarios (as described in 3.1.1.) and the corresponding SCR standard formula shocks

Furthermore, the hidden sheets in the Excel file include detailed information on the calibration parameters of the new method proposed for the basic risk free interest rate term structures as described in 3.1.1.

1. **Questions:** Should participants have any questions regarding this impact assessment please contact us at [Solvency2@dnb.nl](mailto:Solvency2@dnb.nl) including “Solvency II impact assessment” in the subject of the email.

# 3. Technical specification of the expected new regime

### 3.1. Risk-free interest rate term structures

#### 3.1.1. Basic risk-free interest rates

1. For the valuation of insurance and reinsurance obligations the risk-free interest rate term structures in the expected new regime set out in sheet “Scenario Data Expected” in the file **“Technical Information”** should be used. These term structures were derived with the alternative extrapolation method as specified in Annex 2.6 of the EIOPA opinion background analysis document[[5]](#footnote-6), with an alpha of 11%, and takes into account the implications from the relevant DLT assessment for 2024.
2. If you need the basic risk free interest rate term structure for other currencies, please contact DNB via [Solvency2@dnb.nl](mailto:Solvency2@dnb.nl) to discuss the feasibility. Note that we do not have access to the same data source data as EIOPA and, as such, small differences could occur compared to their rates.
3. The basic risk free interest rate term structures in the **optional** interest rate scenarios (sheets ‘Scenario Data Expected +-100bps’) are obtained by shifting the bootstrapped (continuously compounded) interest rate curves by 100 basis points before applying the alternative extrapolation method. To recalculate the baseline figures in these optional interest rate scenario’s, the sheets ‘Scenario Data Current +-100bps’ contain the interest rate term structures based on Smith-Wilson extrapolation. The spread environment, and thus the VA, is assumed constant in all three interest rate environments. Please see the sheet “Instructions” for additional information.

#### 3.1.2. Volatility adjustment

1. Participants which apply the VA should recalculate the VA applicable to their undertaking and use it to determine their solvency position. They should report about the VA calculation in the tab **“Volatility adjustment”**.
2. Note that the VA will consist of a currency VA (permanent VA in the excel template) plus a country specific macroeconomic VA. The macroeconomic VA is triggered whenever the country risk corrected spread (measured on the basis of the national representative portfolio) is higher than both an absolute and a relative threshold. For further background please see Article 77d of the amended Directive.
3. At year-end 2024, the macroeconomic is not triggered for Dutch insurers. The following thus only describes the currency VA.
4. As the first step of the VA calculation, participants need to determine the relevant currencies of their liabilities. Information reported by currency shall cover the three most material currencies of the business[[6]](#footnote-7). These currencies should be indicated in row 9 of the tab “Volatility Adjustment”. Row 11 reflects the value of the gross best estimate in the respective currency, but should be given in the reporting currency. For this purpose, the values of the best estimate liabilities should be based on the term structures with the alternative extrapolation method without VA and without transitional measures. In row 13, the average modified duration (in years) of the insurance and reinsurance obligations underlying the best estimate should be specified. The duration is background information that is not used in the calculation of the VA.
5. Row 10 reflects the market value of the fixed income investments in the respective currency, but should be given in the reporting currency. In row 12, participants need to specify the average duration of the fixed income investments. For this purpose, the term ‘duration’ is to be interpreted in the same manner as in cell C0360 in the ‘List of assets’ template S.06.02.[[7]](#footnote-8) The duration is background information that is not used in the calculation of the VA.
6. **Use the “Technical Information” file to determine the currency VA.** This file only requires insurers to specify the relevant currency and the respective credit spread sensitivity ratio (CSSR). In order to do this, the undertaking has to calculate the credit spread sensitivity ratio for each relevant currency, see paragraph 29. The corrected (scaled) currency spread is also provided in the “Technical information” file sheet “Scenario Data Expected”.

##### *Calculation of credit spread sensitivity ratio*

1. The credit spread sensitivity ratio aims to correct for mismatches in the fixed income assets and insurance liabilities in respect of duration and volume. For further background on this ratio, see option 4 of Annex 2.9 of the EIOPA opinion background analysis document. The credit spread sensitivity ratio is calculated as

where

* + denotes the market value of undertaking’s *i* investment in fixed income investments in currency *c*; the fixed income investments should be identified on the basis of their CIC, according to the following table*[[8]](#footnote-9)*:

|  |  |  |
| --- | --- | --- |
| **CIC third position** | **Asset class** | **Fixed income Assets** |
| 1 | Government bonds | Yes |
| 2 | Corporate bonds | Yes |
| 3 | Equity | No |
| 4 | Collective Investment Undertakings | For investment funds look through should be performed and fixed income assets within should be identified.  If no look through is possible, only debt funds (CIC 42) are eligible |
| 5 | Structured notes | Only CIC 52 (structured notes mainly exposed to interest rate risk) and 54  (structured notes mainly exposed to credit risk) |
| 6 | Collateralised securities | Only CIC 62 (collateralised securities mainly exposed to interest rate risk)  and 64 (collateralised securities mainly  exposed to credit risk) |
| 7 | Cash and deposits | No |
| 8 | Mortgages and loans | Yes |
| 9 | Property | No |

* + equals the price value of a basis point of the best estimate of the liabilities of undertaking *i* in currency *c*;
  + equals the price value of a basis point of the fixed income investments of undertaking *i* in currency *c*.

1. For the purpose of the data collection, where according to the undertaking’s assessment the spread duration of the assets exceeds the duration of the liabilities and the volume of fixed income compares to the volume of the best estimate, the credit spread sensitivity ratio can be set to 1. In this case, the undertaking should provide an explanation in its response.

##### *Calculation of*

1. The price value of a basis point of the best estimate of the liabilities should be calculated as a sensitivity with regard to the value of the VA. This means that 𝑃𝑉𝐵𝑃(𝐵𝐸𝐿𝑖,𝑐) is calculated as the difference in the value of the best estimate[[9]](#footnote-10) with and without applying the VA, where the VA excludes undertaking specific factors:

where

* + 𝑅𝐹𝑅𝑐 denotes the basic risk-free interest rate term structure for currency *c*
  + 𝑅𝐹𝑅 + 85%\*𝑅𝐶\_𝑆𝑐 denotes the basic risk-free interest rate term structure, to which a volatility adjustment of size 85% ⋅ 𝑅𝐶\_𝑆𝑐 is applied[[10]](#footnote-11)
  + 𝑅𝐶\_𝑆𝑐 denotes the scaled risk corrected spread of the reference portfolio in currency

1. To determine 𝑃𝑉𝐵𝑃(𝐵𝐸𝐿𝑖,𝑐), a revaluation of the best estimate needs to be performed including a revaluation of future discretionary benefits (i.e. including the loss-absorbing capacity of technical provisions). For the purpose of that calculation, asset values stay unchanged - no impact of a change in credit spreads on undertakings assets should be taken into account. Where an undertaking has liabilities denoted in several currencies, 𝑃𝑉𝐵𝑃(𝐵𝐸𝐿𝑖,𝑐) should be determined separately for each currency. Please note that it is expected that all figures are entered in your reporting currency to the Excel template.
2. Please report the PVBP(BEL) in row 19 of sheet “Volatility Adjustment”.

##### *Calculation of*

1. The price value of a basis point of the fixed income investments of the undertaking should be calculated based on the difference in their market value against current spreads and when spreads would have increased by the part of the VA that does not depend on the undertaking specific application ratio, i.e. 85%⋅ :

where 𝐶𝑆 denotes the current level of spreads.

1. The credit spread sensitivity ratio is derived as a result.

##### *Calculation of the VA*

1. The currency VA should be given in row 23 of the sheet “Volatility Adjustment” where it is named “Permanent VA”. It is calculated as

where

* + denotes the credit spread sensitivity ratio for currency *c; and*
  + 𝑅𝐶\_𝑆𝑐 denotes the scaled risk-corrected spread of the representative portfolio for currency *c*

As at year-end 2024, the macroeconomic VA is not triggered for Dutch insurers. The following text only describes the currency VA. The VA therefore coincides with the currency VA (Note that this is the equivalent of the permanent VA in the Excel Reporting Template).

Background on the derivation of the scaled risk-corrected spreads

1. The scaling-factor 𝑆𝑐𝑎𝑙𝑒𝑐 is determined as:

where

* + 𝑤𝑔𝑜𝑣,𝑐  denotes the weight of the government bond portfolio in the representative portfolio for currency *c*; and
  + 𝑤𝑐𝑜𝑟𝑝,𝑐  denotes the weight of the corporate bond portfolio in the representative portfolio for currency *c,* that is the weight of FI instruments in the portfolio other than government bonds.

1. For the determination of the risk-corrected spread 𝑅𝐶\_𝑆𝑐 we computed the risk correction 𝑅𝐶 of a spread 𝑆 as described in paragraphs 39 and 40 below.
2. For government bonds issued by EEA countries, the risk correction is determined as

where

* + 𝑆 denotes the average spread of government bonds in the respective subclass[[11]](#footnote-12) of government bonds in the representative portfolio for currency *c*; and
  + 𝑆+ = max (𝑆, 0) is the maximum of S and zero; and
  + 𝐿𝑇𝐴𝑆 denotes the long-term average spread of government bonds in the respective sub-class of government bonds in the representative portfolio for currency *c;* and
  + 𝐿𝑇𝐴𝑆+ = max( 𝐿𝑇𝐴𝑆, 0) is the maximum of the long-term average spread and zero.

1. For other fixed income investments in the representative portfolio, the risk correction is determined as

where

* + 𝑆 denotes the average spread of fixed income investments in the respective sub-class[[12]](#footnote-13) within the representative portfolio for currency *c*; and
  + 𝑆+ = max( 𝑆, 0) is the maximum of S and zero; and
  + 𝐿𝑇𝐴𝑆 denotes the long-term average spread of fixed-income investments in the respective sub-class within the representative portfolio for currency *c;* and
  + 𝐿𝑇𝐴𝑆+ = max (𝐿𝑇𝐴𝑆, 0) is the maximum of the long-term average spread and zero.

1. While there is an optional undertaking-specific adjustment which impacts the VA, we do not request any quantitative information regarding this undertaking-specific adjustment because of the uncertainty regarding its calculation and the availability of data necessary to do so. We have included a qualitative question on the undertaking-specific adjustment.

### 3.2. Technical provisions

#### 3.2.1. Best estimate

##### 3.2.1.1. Contract boundaries

1. Best estimates should be calculated under the assumption that the third paragraph of Article 18(3) Delegated Regulation is only applicable where the undertaking does not have the right to repeat the individual assessment, i.e. as if that paragraph read:

*“However, in the case of life insurance obligations where an individual risk assessment of the obligations relating to the insured person of the contract is carried out at the inception of the contract and the undertaking does not have the right to repeat the assessment before amending the premiums or benefits, insurance and reinsurance undertakings shall assess at the level of the contract whether the premiums fully reflect the risk for the purposes of point (c).“*

##### 3.2.1.2. Expenses

1. Best estimates should be calculated using realistic assumptions on new business for the projection of expenses, i.e. as if Article 31(4) Delegated Regulation read:

“*4. 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“.[[13]](#footnote-14)*

#### 3.2.2. Risk margin

1. Risk margins should be calculated in accordance with the following modified calculation (compared to Article 37 Delegated Regulation):

, where 𝜆 = 0.975 and CoC = 4,75%.

1. Where undertakings apply one of the simplifications for the calculation of the risk margin, which are detailed in the Technical Annex IV of the EIOPA Guidelines on the Valuation of Technical Provisions (EIOPA-BoS-14/166), the following adaptations should be made:
   * Level (1) of the hierarchy of simplifications: approximate the individual risks or sub-risks within some or all modules and sub-modules to be used for the calculation of future SCRs

Application of the parameter for each future SCR, as defined for the full calculation.

* + Level (2) of the hierarchy of simplifications: approximate the whole SCR for each future year, e.g. by using a proportional approach

Application of the parameter for each future SCR, as defined for the full calculation.

* + Level (3) of the hierarchy of simplifications: estimate all future SCRs “at once”, e.g. by using an approximation based on the duration approach

Multiply the amount obtained with the simplification by a parameter .

* + Level (4) of the hierarchy of simplifications: approximate the risk margin by calculating it as a percentage of the best estimate

Multiply the amount obtained with the simplification by a parameter 𝜆1.

1. These simplifications above should only be used if they are currently used by the undertaking and are considered appropriate simplifications.
2. In addition to the recalculated risk margin, participants are requested to report in sheet “Risk Margin” the value of the future SCR amounts (𝑆𝐶𝑅(𝑡)) which were used as a basis to calculate the risk margin in the calculation, as well as the corresponding duration of insurance liabilities. The template sets different granularity of the information request depending on the methodology applied by the undertaking.

### 3.3. Solvency Capital Requirement

#### 3.3.1. Standard formula

1. This section is relevant to insurers using the standard formula to calculate the SCR. Internal model insurers are invited to, on a voluntary basis, also provide standard formula figures.

##### 3.3.1.1 Interest rate risk calibration

1. The interest rate risk sub-module should be calculated based on the interest rate shocks for the expected new regime set out in the file **“Technical Information”**. The shocks are derived in accordance with our best estimate view of the expected new regime. This corresponds with a relative shift approach (as in Section 5.1 of the EIOPA opinion[[14]](#footnote-15) but with different parameters), combined with an extrapolation of the shocked curve, in which also the last liquid forward rate and UFR used in the alternative extrapolation method are stressed.
2. Although uncertainty remains regarding the valuation of assets in the context of calculating the capital charge for interest rate risk, undertakings are asked to perform this valuation in line with the approach that is currently used (see the EIOPA answer on Q&A 326[[15]](#footnote-16)).

##### 3.3.1.2. Correlation between spread and interest rate risk

1. The SCR standard formula correlation parameter for interest rate risk (downward shock) and spread risk should be set to 0.25 instead of 0.5. The parameter for interest rate risk (upward shock) and spread risk should stay at 0. All other correlation parameters remain unchanged. In particular, the two-sided correlation in the market risk module according to Art. 164 Delegated Regulation remains unchanged.

##### 3.3.1.3. Forborne and defaulted loans

1. Forborne and defaulted loans for which a credit assessment by a nominated ECAI is not available should not be included in the spread risk sub-module of the standard formula. Instead their credit risk should be captured in the counterparty default risk module as type 2 exposures. For that purpose the loss given default of forborne and defaulted loans should be calculated as follows:

LGD= 6.67 ⋅ 𝑚𝑎𝑥(𝐿𝑜𝑎𝑛 𝑣𝑎𝑙𝑢𝑒 − 𝑅𝑒𝑐𝑜𝑣𝑒𝑟𝑎𝑏𝑙𝑒𝑠; 36% ⋅ 𝐿𝑜𝑎𝑛 𝑣𝑎𝑙𝑢𝑒);

where

* + 𝐿𝑜𝑎𝑛 𝑣𝑎𝑙𝑢𝑒 denotes the value of the loan in accordance with Article 75 of the Solvency II Directive; and
  + 𝑅𝑒𝑐𝑜𝑣𝑒𝑟𝑎𝑏𝑙𝑒𝑠 denotes the actualised value of the debt recoveries calculated according to the chapter 6 of the EBA guidelines EBA/GL/2017/16.

1. For the calculation of the capital requirement for counterparty default risk, these loss given default amounts should enter the second term of the formula set out in Article 202 of the Delegated Regulation, i.e. they are multiplied with 15% to determine the decrease of value in the stress scenario described in that article.
2. In the tab **“SF – Forborne+def. loans”** participants should provide the following additional information:
3. In order to compare the capital requirements for forborne and defaulted loans in the base case and under the expected new regime, the gross SCR for these loans should be reported in cells E12 and G12.
4. Information on the forborne and defaulted loans for which a credit assessment by a nominated ECAI is not available. That is, the first 50 exposures are to be reported in decreasing value order (i.e. from the highest value to the lowest).
5. Defaulted loans are defined in Article 178 of the CRR (Regulation (EU) No 575/2013), meanwhile forborne loans are laid down in par. 163 of Annex V, Part II of the Commission Implementing Regulation (EU) 2015/227.
6. The column “Stress(i)” should include the relative decrease factors used by the company to calculate the actual capital absorption, pursuant to Article 176(4) of the Delegated Regulation.
7. The columns “Loan value” and “Recoverables” should be completed in line with the specification provided above.

##### 3.3.1.4. Recognition of partial guarantees on mortgage loans

1. In the case of guarantees provided by a counterparty which is in turn guaranteed by one the counterparties mentioned in points (a) to (d) of the first subparagraph of Article 180(2) Delegated Regulation, the requirements in Article points c(iii) and 215(d) of the Delegated Regulation shall be considered to be satisfied where the insurance undertaking has the right to obtain in a timely manner a provisional payment by the first guarantor that meets both the following conditions:

* it represents a robust estimate of the amount of the loss, including losses resulting from the non-payment of interest and other types of payment which the borrower is obliged to make, that the insurance undertaking is likely to incur;
* it is proportional to the coverage of the guarantee.

##### 3.3.1.5. No recognition of contingent capital or contingent convertible bonds as risk-mitigation techniques

1. Contingent capital or contingent convertible bonds should not be recognised as risk-mitigation techniques in the calculation of the SCR with the standard formula.

##### 3.3.1.6. Additional specification on the recognition of risk-mitigation techniques in the standard formula

1. Risk-mitigation techniques should only be recognised in the calculation of the SCR standard formula if they comply, in addition to the current legal requirements, with the following requirements:

*The undertaking shall be able to show the extent to which there is an effective transfer of risk in order to ensure that any reduction in SCR or increase in available capital resulting from its risk transfer arrangements is commensurate with the change in risk that the insurer is exposed to.*

*The SCR and available capital shall reflect the economic substance of the arrangements that implement the technique. When calculating the Basic Solvency Capital Requirement, insurance or reinsurance undertakings shall only take into account risk-mitigation techniques as referred to in Article 101(5) of Directive 2009/138/EC where:*

* *the reduction in the SCR requirements, or increase in the available capital is commensurate with the extent of risk transfer; and*
* *there is an appropriate treatment within the SCR of any corresponding risks that are acquired in the process.*

##### 3.3.1.7. Long-term equity investments

1. The calculation of the equity risk sub-module should take into account the Long Term Equity (LTE) provisions according to Article 105a of the Amending Directive. The criteria set out in the provisions are amended. Participants should assess the applicability of the amended criteria for the application of the LTE provisions and identify those equity that can be classified as LTE.
2. The calculation of the equity risk sub-module includes the Long Term Equity (LTE) provisions according to Article 105a of the Amending Directive.
3. In the tab **“SF - Equity risk”** information is requested on the composition of the equity risk sub module. Information has to be reported in the base case (based on the existing requirements on equity risk and LTE) as well as under the expected new regime (with alternative requirements on the application of LTE as outlined below). Information on the base case is collected in cells D13 to F33 and in cells D36 to F38, information on the equity risk under the expected new regime is collected in cells H13 to J33 and in cells H36 to J38.
4. For the purpose of applying LTE under the expected new regime, participants should assess the applicability of the amended criteria for the application of the LTE provisions and identify those equity that can be classified as LTE.
5. For the purpose of applying LTE under the expected new regime, participants can assume they have a policy set up as specified in point e) in the Table under 69.
6. For the purpose of applying LTE under the expected new regime, qualitative information is requested with regards to point g) in the Table under 69.
7. The following table provides an overview of the current requirements compared to the amendments for the purpose of the expected new regime:

|  |  |
| --- | --- |
| **Existing requirements (base case scenario)** | **Change in requirements that form the basis for the expected new regime** |
| 1. For the purpose of this Regulation, a sub-set of equity investments may be treated as long-term equity investments if the insurance or reinsurance undertaking demonstrates, to the satisfaction of the supervisory authority, that all of the following conditions are met: | |
| a) the sub-set of equity investments as well as the holding period of each equity investment within the subset are clearly identified; | The requirement is changed as follows:  the sub-set of equity investments is clearly identified and managed separately from the other activities of the undertaking; |
| b) the sub-set of equity investment is included within a portfolio of assets which is | Deletion of the requirement. |

|  |  |
| --- | --- |
| assigned to cover the best estimate of a portfolio of insurance or reinsurance obligations corresponding to one or several clearly identified businesses, and the undertaking maintains that assignment over the lifetime of the obligations; |  |
| c) the portfolio of insurance or reinsurance obligations, and the assigned portfolio of assets referred to in point (b) are identified, managed and organised separately from the other activities of the undertaking, and the assigned portfolio of assets cannot be used to cover losses arising from other activities of the undertaking; | Deletion of the requirement. |
| d) the technical provisions within the portfolio of insurance or reinsurance obligations referred to in point (b) only represent a part of the total technical provisions of the insurance or reinsurance undertaking; | Deletion of the requirement. |
| e) the average holding period of equity investments in the sub-set exceeds 5 years, or where the average holding period of the sub-set is lower than 5 years, the insurance or reinsurance undertaking does not sell any equity investments within the subset until the average holding period exceeds 5 years; | The requirement is changed as follows:    a policy for long-term investment management is set up for each long-term equity portfolio and reflects the undertaking’s commitment to hold the overall exposure to equity in the sub-set of equity investment for a period that exceeds five years on average. The administrative, management or supervisory body of the undertaking shall explicitly endorse the investment management policies and those policies are frequently reviewed against the actual management of the portfolios, and reported in the ORSA of the undertaking referred to in Article 45; |
| f) the sub-set of equity investments consists only of equities that are listed in the EEA or of unlisted equities of companies that have their | The requirement is changed as follows:  the sub-set of equity investments consists only of equities that are listed in countries that are member of the EEA or of the Organisation for Economic Co-operation and Development (OECD) or of unlisted equities of companies that have their head offices in countries that are member of the EEA or of the OECD; |

|  |  |
| --- | --- |
| head offices in countries that are members of the EEA; |  |
| g) the solvency and liquidity position of the insurance or reinsurance undertaking, as well as its strategies, processes and reporting procedures with respect to asset-liability management, are such as to ensure, on an ongoing basis and under stressed conditions, that it is able to avoid forced sales of each equity investments within the sub-set for at least 10 years; | The requirement is changed as follows:  on an ongoing basis and under stressed conditions, the insurance or reinsurance undertaking is able to avoid forced selling of equity investments within the sub-set for five years;  [Note that a substantiation of this requirement is not requested at this point as it is not yet clear what the requirement will exactly look like] |
| h) the risk management, asset liability management and investment policies of the insurance or reinsurance undertaking reflects the undertaking's intention to hold the sub-set of equity investments for a period that is compatible with the requirement of point (e) and its ability to meet the requirement of point (g). | No change |
|  | i) the sub-set of equity investments is appropriately diversified in such a way as to avoid excessive reliance on any particular issuer or group of undertakings and excessive accumulation of risk in the portfolio of long-term equity investments as a whole with the same risk profile; |
|  | j) the sub-set of equity investments does not include participations. |
| 2. Where equities are held within collective investment undertakings or within alternative investment funds referred to in points (a) to (d) of Article 168(6), the conditions set out in paragraph 1 of this Article may be assessed at the level of the funds and not of the underlying assets held within those funds. | The requirement is changed as follows:  Where equities are held within European long-term investment funds or within certain types of collective investment undertaking, including alternative investment funds, which are identified in the delegated acts adopted pursuant to this Directive as having a lower risk profile, the conditions laid down in paragraph 1 may be assessed at the level of the funds and not of the underlyingassets held within those funds. |
| 3. Insurance or reinsurance undertakings that treat a sub-set of equity investments as long- term equity investments in accordance with paragraph 1 shall not revert back to an approach that does not include long-term equity investments.  Where an insurance or reinsurance undertaking that treats a sub-set of equity investments as long-term equity investments is no longer able to comply with the conditions set out in paragraph 1, it shall immediately inform the supervisory authority and shall cease to apply Article 169(1)(b), (2)(b), (3)(b) and (4)(b) to any of its equity investments for a period of 36 months.’; | The requirement is changed as follows:  Insurance or reinsurance undertakings that treat a sub-set of equity investments as long-term equity investments in accordance with paragraph 1 shall not revert back to an approach that does not include long-term equity investments. Where an insurance or reinsurance undertaking that treats a sub-set of equity investments as long-term equity investments no longer complies with the conditions laid down in paragraph 1, it shall immediately inform the supervisory authority and take the necessary measures to restore compliance.  Within one month of the date of the first observation of non-compliance with the conditions set out in paragraph 1, the insurance or reinsurance undertaking shall provide the supervisory authority with the necessary information and the actions to be taken by the undertaking to achieve, within six months of the date of the first observation of non-compliance, the re-establishment of compliance with those conditions. Where the undertaking is not able to restore compliance within six months of the date of the first observation of non-compliance, it shall cease to classify any equity investment as a long-term equity investment in accordance with this Article for a period of two and a half years, or as long as compliance with the criteria is not restored, whichever period is longer. |

Information on the application of LTE should be provided in the tab “SF - Equity risk”.

##### 3.3.1.8. Natural catastrophe risk

1. EIOPA has published an Opinion on the 2023/2024 Reassessment of the Nat Cat Standard Formula[[16]](#footnote-17). Here, EIOPA advices to revise certain natural catastrophe risk parameters. The adoption of the new parameters is under the Solvency II review mandate. As such, these revised parameters are included in this impact assessment.
2. The tables in the file **“2023 2024 Reassessment Exercise of natcat risks - Zonal Calibration\_all”,** which is provided alongside with this impact assessment, provide a summary of the (re)calibrated country factor parameters for the various perils. These country factors are given on the sheet **“Country factors for perils”**. Only the cases where the reassessment resulted in a change of (some of the) calibration are included. Furthermore, for each peril the adjusted correlation coefficients for regions are provided in accordance with Annex 2: Correlations coefficients for Region in EIOPA’s Opinion. These adjusted correlation coefficients are given on the sheet **“Correlation coefficients”**. For the Netherlands, the newly introduced flood risk parameter is set 0.035% and the hail factor is increased from 0.02% to 0.03%. For the recalibrated zonal weights and zonal aggregation matrices we also refer to “2023 2024 Reassessment Exercise of natcat risks - Zonal Calibration\_all.xlsx”file.

Adjusted country factors, possibly included with adjusted correlation coefficients, are given for:

##### Earthquake (only country factors)

##### Flood (country factors and flood correlations)

##### Windstorm (Only country factors)

##### Hail (Country factors and correlations)

##### Subsidence (Country factors and correlations)

An extra table is given for hail which includes the hail factor for motor. This table provides the parameter for article 124(7) of the delegated regulation. That is, the formula there should be replaced by:

𝑆𝐼(ℎ𝑎𝑖𝑙,𝑟,𝑖) = 𝑆𝐼(𝑝𝑟𝑜𝑝𝑒𝑟𝑡𝑦,𝑟,𝑖) + 𝑆𝐼(𝑜𝑛𝑠ℎ𝑜𝑟𝑒−𝑝𝑟𝑜𝑝𝑒𝑟𝑡𝑦,𝑟,𝑖) + **10** 𝑆𝐼(𝑚𝑜𝑡𝑜𝑟,𝑟,𝑖).

#### 3.3.2. Internal models

1. This section is only relevant to insurers using a (partial) internal model to calculate the SCR. Internal model users are invited to, on a voluntary basis, also provide standard formula SCR details (see 3.3.1. Standard formula).
2. Sheet “**IM only – SCR details**” should be filled in accordance with the specifications of QRT S.26.08.01.01.

##### 3.3.2.1. Contingent capital or contingent convertible bonds

1. Contingent capital or contingent convertible bonds should not be able to reduce the SCR within internal models.

##### 3.3.2.2. Volatility adjustment in internal models

1. This section is only relevant for internal models covering market and credit risk and including a “dynamic VA” (DVA).

###### *DVA – Enhancement of the prudency principle*

1. To counteract potential overshooting caused by structural difference between the risk corrected spreads of the own portfolio and that of the reference portfolio, the Solvency II amending directive article 122(5) enhances the ‘prudency principle[[17]](#footnote-18)’ and sets it out in regulations as follows:

For any DVA approach undertakings should demonstrate that the SCR not lower than the following:

* + 1. The solvency capital requirement while replicating the EIOPA VA methodology dynamically (art. 122 (5) (b) (i))
    2. The solvency capital requirement while replicating the EIOPA VA methodology but calculating the risk corrected spread on basis of the undertaking’s own asset portfolio dynamically (art. 122 (5) (b) (ii))

This principle should apply to any DVA approach.

###### DVA – Description of the data request

1. This section describes how sheets “**IM only – DVA details**” and “**IM only – VA details**” should be filled in.
2. On sheet “**IM only – DVA details**”, the requested baseline information in columns E and F should be equal to those values provided in QRT’s S.22.01.01.01 and S.26.08.01.01 for rows 12-18 and 21-24, respectively.
3. Changes to the baseline should be reported according to the following:
4. In columns H and I, you should report the figures of the expected new regime, except that the SCR should be based on the current DVA model (without capping it as is required by article 122(5)).
5. In column K, you should report the figures of the expected new regime, except that the Solvency Capital Requirement is calculated where the effect of credit spread movements on the volatility adjustment is taken into account in accordance with the methodology used by EIOPA for the purposes of the publication of technical information pursuant to Article 77e(1), point (c). See article 122(5)(b)(i). That is, you should calculate the DVA offset to the SCR by replicating the EIOPA VA of the new regime as closely as possible for all spread scenarios.
6. In column M, you should report the same as in the previous bullet except that the representative portfolio for a currency referred to in Article 77d(2), second subparagraph, is determined on the basis of the assets in which the insurance or reinsurance undertaking is investing instead of the assets of all insurance or reinsurance undertakings with insurance or reinsurance obligations denominated in that currency. See article 122(5)(b)(ii).
7. In column O, the undertaking can optionally report the expected new regime with a redesigned internal DVA model. That is, if the Solvency II review causes the undertaking to redevelop their DVA model, and (preliminary) results are available, these can be reported here.

In the above, please note:

* + - 1. Own funds have to be determined by applying the VA regime under the expected new regime (see 3.1.2. Volatility adjustment) to your technical provisions.
      2. In bullet III above, the switch to your own portfolio only concerns the SCR. But, in your simulations generating the distribution in your model, the balance sheet at “t=0” has to be calculated also using a VA based on your own asset portfolio to have a distribution consistent in all data points regarding the choice of the portfolio to determine the risk corrected spread.

**The credit spread sensitivity ratio (CSSR)** should be treated as follows:

* + - * Please determine a prudent estimate of credit spread sensitivity ratio under your simulations and use this value as ‘constant’ parameter in your simulations. If considered necessary please differentiate between the scenarios specified in bullets II and III above.
      * Only consider assets to which the undertaking is exposed to significant spread risk. This implies that hedged spread assets should not be included in the calculation of the CSSR.

**Portfolio weights and scaling factor**:

* + - * In each simulated scenario, you are requested to recalculate the weights and the scaling factor used for determining the scaled risk corrected spread (see paragraph 37) within the portfolios used for the scenarios in bullets II and III above. For the scenario in bullet III, only consider assets to which the undertaking is exposed to significant spread risk. This implies that hedged spread assets should not be included in the calculation of the portfolio weights and scaling factor.

This originates from the expected new regime to include the change of ‘market value freeze’ to ‘cashflow freeze’ for the VA methodology (see annex 2.27 of EIOPA’s background document to the opinion on the Solvency II review[[18]](#footnote-19)). This implies a variation of weights of the portfolios under simulations.

If this cannot be implemented with reasonable effort for the purpose of this holistic impact assessment, please reach out to DNB.

**Spread data** to calculate the risk corrected spread:

It is expected that you use the spread data as included in your internal model.

This includes the LTAS used in the calculation of the risk corrected spread as described in paragraphs 38 to 40. As a reference of LTAS values please consider the file “EIOPA\_RFR\_20241231\_PD\_Cod.xlsx” as published with the EIOPA monthly RFR information for reference date 31.12.2024.

Different from the algorithm used in the reference portfolio, also for EEA government bonds you are expected to differentiate spread data by issuer as implemented in your internal model.

1. Furthermore, on sheet “**IM only – VA details**” please provide the risk corrected spread as determined on your own asset portfolio in “t=0”, as well as the other VA details, i.e. as if using your own asset portfolio to determine the VA for technical provisions.

### 3.4. Minimum Capital Requirement

1. The currently applicable risk factors for the calculation of the MCR set out in Annex XIX of the Delegated Regulation should be replaced by the following factors:

|  |  |  |
| --- | --- | --- |
| **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[[19]](#footnote-20) | 5.4% | No change |
| Sickness[[20]](#footnote-21) | No change | 8.0% |
| Workers compensation | 10.3% | 9.0% |
| NPR health | 15.9% | No change |

For the segments not listed in the table the risk factors should not be changed. Note that as an simplification of the impact assessment, insurers could choose not to provide the MCR data in the impact assessment if the added insight would is not seen as proportional to the additional calculation effort. Please include a statement under “Explanation insurer” that you do so.

1. <https://data.consilium.europa.eu/doc/document/PE-5-2024-INIT/en/pdf> [↑](#footnote-ref-2)
2. <https://www.eiopa.europa.eu/document/download/3c7759d5-a97a-4bc4-bfae-875c5d460d56_en?filename=Opinion%20on%20the%202020%20review%20of%20Solvency%20II.pdf> [↑](#footnote-ref-3)
3. [eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0580](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0580) [↑](#footnote-ref-4)
4. <https://www.eiopa.europa.eu/browse/regulation-and-policy/solvency-ii/2020-review-solvency-ii/solvency-ii-review-information-request-national-supervisory-authorities_en> [↑](#footnote-ref-5)
5. [Opinion on the 2020 review of Solvency II - EIOPA](https://www.eiopa.europa.eu/publications/opinion-2020-review-solvency-ii_en) [↑](#footnote-ref-6)
6. Where undertakings have only liabilities in one currency or business in a particular currency already makes up more than 90% of the business, it is sufficient to fill in column D, the others can be left blank. Where undertakings have liabilities in more than one currency, a reporting by currency is requested (where currencies are added in descending order of materiality) up and until the business reported exceeds the threshold of 90% or the maximum of five currencies is reached. [↑](#footnote-ref-7)
7. Note that, according to the Commission Implementing Regulation (EU) 2015/2450, this cell is defined as the ‘residual modified duration’ (modified duration calculated based on the remaining time for maturity of the security, counted from the reporting reference date). For assets without fixed maturity the first call date shall be used. The duration shall be calculated based on economic value. [↑](#footnote-ref-8)
8. Note that undertakings do not have to assign investments to either backing or not backing the liabilities when determining 𝑀𝑉𝑖𝐹𝐼,𝑐 , but only consider the investments in the currency of the liabilities as long as the undertaking is materially exposed to spread risk on these assets. This implies that assets of which the spread risk is hedged should not be taken into account. [↑](#footnote-ref-9)
9. not including TP as a whole and net of reinsurance recoverables. [↑](#footnote-ref-10)
10. i.e. 𝐺𝐴𝑅 ⋅ 𝑆𝑐𝑎𝑙𝑒𝑐 ⋅ 𝑅𝐶\_𝑆𝑐 is applied as the current VA up to the last liquid point (LLP) and then extrapolated to the UFR [↑](#footnote-ref-11)
11. Cf. section 8 in the technical documentation of the methodology to derive EIOPA’s risk-free interest rate term structures [↑](#footnote-ref-12)
12. Cf. section 8 in the technical documentation of the methodology to derive EIOPA’s risk-free interest rate term structures [↑](#footnote-ref-13)
13. This amendment includes in the Delegated Regulation the clarification already provided by EIOPA in Q&A 1037. [↑](#footnote-ref-14)
14. [Opinion on the 2020 review of Solvency II - EIOPA](https://www.eiopa.europa.eu/publications/opinion-2020-review-solvency-ii_en) [↑](#footnote-ref-15)
15. [326 - EIOPA](https://www.eiopa.europa.eu/qa-regulation/questions-and-answers-database/326_en) [↑](#footnote-ref-16)
16. [Opinion on the 2023/2024 Reassessment of the Nat Cat Standard Formula - EIOPA](https://www.eiopa.europa.eu/publications/opinion-20232024-reassessment-nat-cat-standard-formula_en) [↑](#footnote-ref-17)
17. specified in EIOPA’s ‘Opinion on the supervisory assessment of internal models including a dynamic volatility adjustment’ (‘DVA’), EIOPA-BoS-17/366 [↑](#footnote-ref-18)
18. <https://www.eiopa.europa.eu/document/download/5ed96239-ccc1-4716-af03-46edd0444bad_en?filename=Background%20analysis.pdf> [↑](#footnote-ref-19)
19. This class of business refers to the segment “Medical expense insurance” of the Delegated Regulation (ANNEX XIX). Please also refer to the relevant Q&A (number 29). [↑](#footnote-ref-20)
20. This class of business refers to the segment “Income protection insurance” of the Delegated Regulation (ANNEX XIX). Please also refer to the relevant Q&A (number 29). [↑](#footnote-ref-21)