Feedback statement DNB Impact assessment YE2024

Number	Question	Answer DNB
1	Participant information: What do you imply with internal model for default risk. Is that referring to the counterparty default risk or for the default risk part of spread risk?	This information is indeed vague and thus removed.
2	Participant information: If the default risk (previous remark) is part of the spread risk, how would you define the credit spread risk? If a participant has modelled default risk as part of spread risk,. How would the participant need to complete this cell and the previous one?	This information is indeed redundant and thus removed.
3	Participant information row 45-48 on making use of transitionals or the MA: is this still needed in the Dutch context? In my opinion, redundant information.	This information is indeed redundant and thus removed.
4	Solvency position: You are asking for a very compressed balance sheet. Will this provide sufficient details? For example, the impact on the reinsurance assets will be implicitly included in row 16	We have added S.02.01.01.01 in tab "Balance sheet" and removed the tab "Technical Provisions". We have also removed rows 13 up to and including 18 of tab "Solvency position" as these are also included in sheet "Balance Sheet".
5	Solvency position: Wouldn't you include in the table, a comparison with the FYR24 data. This enables DNB and the users of the information a quick impression of the impact. I would include a baseline column. In this sense, you can also have a validation on certain information provided by the insurer. As the baseline info is available, this would pose a big administrative burden.	Please see our comment to number 4. We have changed the name "Scenario 1" to "Expected new regime" to make it more clear that the comparison between baseline and expected new regime is already included in the sheet.
6	Solvency position: Wouldn't you not want to see the available own funds. Now you cannot see the impact of the tiering restrictions on the outcomes	We have included more information from S.22.01.01.01
7	Solvency position: Are row 26 and 27 on the maximum own funds buffer for compressed spreads not mistakenly included as it refers to a previous impact assessment. The compressed	This information is indeed redundant and thus removed.

DeNederlandscheBank
EUROSYSTEEM

	spread buffer does not exist anymore.	
8	Volatility adjustment row 11 on MV(FI): a reference is made to para 24 of the technical specification. Would you like to have a split of the Fixed income. This is useful information when assessing the risk correction esp. the split between govies and the rest of the fixed income assets.	As discussed in the earlier meeting, the suggested split is not sufficient to make any sensitivity calculations regarding the risk correction. Therefore, this information is not requested.
9	Volatility adjustment row 13 and 14 on modified duration of FI and the BE: Please add the number of digits you would like to see.	We propose using two decimals to report durations.
10	Volatility adjustment row 18 Risk corrected currency spread: Is this not a number, DNB (EIOPA) will provide depending on the reference portfolio for the currency zone?	Correct, undertakings do not have to calculate the RCS themselves. DNB will supply the figures as is explained in the technical specification.
11	Volatility adjustment row 19 scaling factor: is this not a fixed number to be applied for each currency zone and provided by DNB (EIOPA)	Correct, undertakings do not have to calculate the RCS themselves. DNB will supply the figures as is explained in the technical specification.
12	Technical provisions: Please indicate that NSLT health is to be included in Non-life and SLT health in Life, there is a genuine risk that these could be forgotten as in other reporting templates these are reported separately.	We have added S.02.01.01.01 in tab "Balance sheet" and removed the tab "Technical Provisions".
13	Technical provisions row 31 regarding the "exception": I am unsure to what exception DNB is referring to. Article 18 refers to the contract boundary. What is the exception?	We have added S.02.01.01.01 in tab "Balance sheet" and removed the tab "Technical Provisions". This question has been removed. For more information on the exception please see the technical specifications, paragraph 42.
14	Technical provisions: In the technical specifications, DNB is mentioning two scenarios. In the tab Technical provisions there is only a baseline and scenario 1 mentioned.	We request two scenario's (1) the baseline and (2) the expected new regime (previously referred to as scenario 1)
15	Risk margin: In the technical specifications two scenario are requested. For the risk margin DNB is only referring to 1 scenario. Shouldn't DNB ask for the baseline scenario for comparison purposes	Base case risk margin details are now also requested for comparison.

16	Risk margin: In the tab risk margin, no total outcome is asked	This is requested in the tab "Balance Sheet" of the reporting template.
17	Risk margin: A question could be added to ask whether the insurer is planning to change the method to calculate the Risk margin based on the changes in methodology envisaged in the Review 2020	This question is added in the qualitative questionnaire.
18	MCR: Reference is only made to the baseline and scenario 1, while two scenarios are envisaged in the technical specifications	The scenarios are mentioned in paragraph 12 and 13 of the technical specifications.
19	SF-SCR details row 14 and 18 can be removed as this is not applicable in the Netherlands	We chose this view to match the QRTs.
20	SF-SCR details row 29 on non-life underwriting risk: Will DNB ask for a revision of the nat cat scenarios following the advice from EIOPA? If so, I would suggest a detail regarding the impact of the change.	Yes, the change to the NatCat parameters in now included in the impact assessment. Please refer to section 3.3.1.8 of the technical specifications and the file "2023 2024 Reassessment Exercise of natcat risks - Zonal Calibration_all" which is provided alongside with the impact assessment.
21	SF-SCR details row 50, 51 and 52 are not applicable and should be removed	Agreed. These rows have been removed.
22	IM-SCR details: Why are rows 12,13 and 14 on EOF, SCR and SCR ratio needed. This is information already asked in the tab Solvency position.	We request multiple scenario's here (more columns to the right) to in order to collect information on the enhanced prudency principle (Directive art. 122(5)) We have reviewed the IM-SCR details template to make it more in line with the information asked for SF, and the information reported in the new IM QRTs.
23	IM-SCR details row 15 and 17 on combined market & credit risk SCR and Credit spread SCR are similar to the benchmark studies and are not relevant for the Impact assessment in our opinion. It does not refer to the actual Internal model as endorsed by DNB unless the risk is modelled as such.	These rows have been replaced by data fields from QRT S26.08.01.01 with established definitions.
24	IM-SCR details Column L, M and N/P, Q and R: It is unclear what DNB envisages the insurer to calculate here. This is based on	Here we request the various scenario's of the EPP which are specified in article 122 (5) of the amending directive. In our view it

DeNederlandscheBank
EUROSYSTEEM

	the HIA datacall in which multiple approaches for the DVA were asked.	is incorrect that those are no longer relevant. We have reviewed the IM-SCR details template to make it more in line with the information asked for SF, and the information reported in the new IM QRTs.
25	IM-SCR details: Why does DNB not ask the same risk modules as for the SF?	We have reviewed the IM-SCR details template to make it more in line with the information asked for SF, and the information reported in the new IM QRTs.
26	IM-VA details: What is the added value compared to the information already presented in tab Volatility Adjustment?	This tab should be filled in as if the VA is calculated using the own portfolio. This especially implies for the risk corrected spread. Furthermore, the technical specification prescribes a fixed CSSR which should be prudent for the scnenario's. This might deviate from the CSSR in the balancesheet. Note that this also implies that the tab "volatility adjustment" should be filled by IM insurers.
27	IM-VA details: I would have expected the IM users who model a DVA, would be asked the details regarding the two notionals in relation to the Enhanced Prudency Principle.	This is indeed the case in the current sheet "IM only – DVA" details. Furthermore, we have updated the IM SCR details in accordance with the latest IM reporting templates.
28	How do stakeholders weigh the pros and cons of calculating additional interest rate scenarios? We understand DNB's reasoning for additional sensitivities. Quantitative insight via a limited number of sensitivities would be beneficial regarding the possible volatility and the major sources. DNB currently only envisages different interest rate scenarios. However, considering the methodology for the Volatility Adjustment, the spread environment is also an important fea-ture in the volatility. Including an interest rate and/or spread scenario will entail an additional workload. This could go beyond DNB's initial objective to	DNB will, next to the official interest rate scenario, provide two <u>optional</u> scenario's where interest rates are shocked by +100bps and -100bps. These are again on a voluntary basis. Insurers may decide to participate in the impact assessment while not calculating those additional interest rate scenario's.

	raise awareness of the impact of the ongoing Solvency II – 2020 review and changes in methodology and calibration. Because DNB intends to repeat the impact assessment in the coming years, this additional volatility insight can be achieved in the coming years. Insurers calculating the additional scenarios will have to recalculate the baseline balance sheet to reflect the different swap curves and relevant risk-free interest rate. This entails many additional activities for the insurer for example the recalculation of external received information. If DNB still wants to pursue the additional scenarios, we would appreciate additional approximations and/or simplifications in determining the adjusted balance sheet and Solvency Capital Requirements.	
29	What are, according to stakeholders, applicable parameters for the im-pact assessment? In order to have a realistic picture of the Dutch impact of the 2020 review, the calibration should be as close as possible to the expected outcome of the dialogues being held in Brussels and/or the agreed and signed position in the Directive. • For the relevant risk-free interest rate: The FSP would be 20 years, the alpha to be used in weighing the LLFR and UFR should be 11%. Note that discussions are still ongoing whether 15% would be appropriate. • The Cost-of-Capital rate in the Risk Margin calculation is determined at 4.75% in the amended Directive. The lambda factor and the floor will be included in the Delegated Regulations. We propose to use a lambda factor of 0.975 and no floor to be applied. • In the latest EGBPI materials, three scenarios are discussed for	Thank you for the input. Please refer to the technical specifications for the chosen parameters.

the Volatility Adjustment calculation. So far, it is very difficult to indicate the most likely outcome as the compromise will be political in nature. Therefore, we propose to include the EC proposal in the impact assessment. Note that we do not think that this proposal is achieving the objective of the Volatility Adjustment as initially mentioned in Omnibus II; here we could envisage, DNB to propose a separate scenario to reflect the latest options discussed in the EGBPI of 11 December 2024.

• For the natural catastrophe: Calibration and perils following the advice provided by EIOPA to the EC.

• Interest rate Risk (SF): For this risk type proposing a calibration will be very difficult as there is no consensus on the scenarios to be used nor are there any options being discussed on the level of the EGBPI. We would propose for the upcoming exercise to exclude this change and reintroduce this for the 2026 impact assessment (reference date: 31 December 2025).

in the second half of March to discuss the impact of the likely compromise on the calibration and whether this can be included in the impact assessment.

30	Timelines As discussed during our meeting, we doubt the feasibility of the end-April deadline. This deadline will likely limit the number of insurers willing to participate solely due to the availability of re-sources to conduct the impact assessment in a meaningful manner.	The deadline has been extended by one month to end of May.
31	Technical specifications We would urge DNB to refrain from using too many references to other documentation and include all the relevant methodological information in one document ensuring a complete set of information. We request DNB to align the descriptions and texts as closely as possible to the descriptions used in the legal documentation as agreed. Furthermore, we would appreciate an English (and Dutch) version of the technical specifications. Furthermore, the references in the technical specifications received do not point to the correct section in the reporting template. However, we have understood that DNB will use a different reporting template, therefore we have not included the identified wrong references in this feed-back document. We would request DNB to include the possibility to use approximations in the impact assessment especially in those areas where the Solvency II - 2020 review has no impact on the methodology. For example, the	The references to other documents have been removed as much as possible. The introduction of the technical documentation is in Dutch and the other parts are in English. The references in the technical specifications are corrected. The technical documentation now specifies that where relevant and sufficiently accurate for the purpose of this exercise, approximations may be used without prior approval from DNB. Please desribe the approximations used in the reporting template.

DeNederlandscheBank
EUROSYSTEEM

	calculation of the: - life underwriting risk, provided the impact on TVOG is limited; - operational risk, provided no change in type of volume factor; - counterparty default risk; - a fixed LAC DT percentage, unless there is clear indication that current substantiation would become at risk under SII2020 scenario; and - adjustment factor.	
32	Requirement to calculate data in the exercise We would request DNB to reassess the reporting template and to remove all the information, which is not directly material in the implementation of the new methodology as this does not enhance the awareness of insurers. For example, the determination of the MCR or the solvency position excluding transitional measures (not relevant for the Dutch market). However, this could be included in the impact assessment on an optional and voluntary basis. Furthermore, if DNB would opt to use the S.02 template as basis for the balance sheet, the additional technical provision templates could be removed as they no longer have any added value. We understand that DNB will use a different reporting template, however in the appendix we have included a list of detailed questions based on the shared reporting template.	We have not removed those elements from the impact assessment to provide a relatively complete overview of the changes. However, insurers may choose not to fill certain aspects of the impact assessment. Please refer to paragraph 14 of the technical specifications.
33	Results of the impact assessment As discussed during our meeting, we appreciate the fact DNB will provide individual feedback to the participants. We would also request DNB to organise a round table for the participants in which DNB and the sector can discuss generic themes and issues identified.	DNB will not publish a public report or press release with the quantitative outcomes of this impact assessment as this does not contribute do the objectives of this exercise. Please see the introductory remarks on the "Terugkoppeling" for more details.

DeNederlandscheBank EUROSYSTEEM

	As discussed during our meeting, we are not in favor of any public report or press release on the quantitative outcomes of this impact assessment.	
34	Paragraph 72: first bullet on p19: unclear what is meant here with u prudent CSSR in simu-lations for the DVA impact. How is prudent defined in this context?	Please refer to our response to question 26.
35	Paragraph 73: unclear what is meant with market & credit risk SCR, since in the template only 1 value is requested to be filled. Is total market risk SCR including spread SCR expected here?	This is replaced by the QRT S.26.08.01.01 information in the new version.
36	If the transitional measures are requested, will this then refer to existing transitionals on interest rates or also on the phase-in approach on new interest rate extrapolation?	The impact of transitionals are no longer requested as these are not used by Dutch undertakings. We do not request the impact of phasing in the alternative interest rate extrapolation. This is added as a question in the qualitative questionnaire of the impact assessment.
37	All impacts are also requested without VOLA. Furthermore, reporting a credit spread risk SCR without VOLA offset does not accurately reflect the actual risk profile given the illiquid nature of the liabilities and therefore provides limited insight.	DNB likes to receive the impact without the volatility adjustment. However, as the impact without DVA is expected to be the same regardless of the DVA method applied, some columns have been removed to not request the same information multiple times.
38	Tab: participants information: Row 41: What is implied with internal model for default risk. Is that referring to the counterparty default risk or for the default risk part of the spread risk? Row 41: If the default risk (previous remark) is part of the spread risk, how is then the credit spread risk defined? If a participant has modelled default risk as part of spread risk, how would the participant need to	This is replaced by the QRT S.26.08.01.01 information in the new version.

DeNederlandscheBank
EUROSYSTEEM

	complete this cell and the previous one?	
39	Tab: Volatility adjustment: Row 18: Will DNB or EIOPA provide this information on the reference portfolio for each currency zone? If there is an undertaking that has liabilities portfolio in different currencies, then how does the entity specific VA needs to be calculated. In other words, does it mean that for this under-taking the VA per currency or one singe VA combined for all currencies needs to be applied.	After having contact with the undertaking who asked the question, DNB has decided to publish RFR curves for EURO, JPY and CZK. If additional currencies are required, please contact DNB to discuss whether this is possible.
40	Tab: technical provisions: Row 31: It's unclear to what exception DNB is referring to. Article 18 refers to the con-tract boundary. What is the exception?	The explanatory text was confusing. This has been amended to "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" Note that the tab "Technical provisions" is removed, as is the question on article 18 in the excel template.
41	Tab: IM only - SCR details: Scenario 1 - SCR with holistic approach amended to scenario 1. What is meant here with holistic approach? How does the information requested on tab 'Volatility Adjustment' differ from infor-mation requested on tab 'IM only – VA details'? What is the rationale behind deriving a VOLA based on own asset portfolio as suggested in the template? The information in row 12,13 and 14 is already asked in the tab 'Solvency position'. Row 15 and 17 are similar to the benchmark studies and not relevant for the impact	We have clarified the text using the wording as in the directive. Please see section 3.3.2.2 of the technical specification. The reference to "Holistic approuch" (a DVA model that is not ment to directly repliciate the EIOPA VA) is replaced by IM DVA model. The rationale behind requesting the VA based on the own asset portfolio is for further analysis and understanding on how art 122(5) affects the insurers. This tab also requires insurers to provide the EoF, SCR and SCR-ratio without VA and under different constraints of article 122(5) and as such differ from the tab "Solvency position"

DeNederlandscheBank
EUROSYSTEEM

	assessment in our opinion. It does not refer to the actual internal model as endorsed by DNB unless the risk is modelled as such. Column L, M and N/P, Q and R: It is unclear what DNB envisages the insurer to cal-culate here. This is based on the HIA request in which multiple approaches for the DVA were asked.	The credit and market risk SCRs are replaced by those requested in the official IM QRT templates in order to have a consistent definition. Regarding the last question: here we request the various constraints to the SCR as specified in article 122(5), and we give undertakings the option to provide us the figures based on a (preliminary) redesigned model.
42	Tab: IM only - VA details: What is the added value compared to the information already presented in tab 'Vola-tility Adjustment'?	This tab should be filled in as if the VA is calculated using the own portfolio. This especially implies for the risk corrected spread. Furthermore, the technical specification prescribes a fixed CSSR which should be prudent for the scnenario's. This might deviate from the CSSR in the balancesheet. Note that this also implies that the tab "volatility adjustment" should be filled by IM insurers.
43	Is it possible for DNB to make a calculation tool available in order to use it to encourage participation in the impact assessment? This calculation tool aims to calculate various variables that are requested in the impact assessment. It concerns the following variables: technical provisions, risk margin, MCS, SF SCR details, equity risk, forborne and default loans.	For non-life and health insurers, we have included the following information in the technical specifications: "Non-life insurers with only short-term liabilities may indicate, instead of a full calculation, that they do not expect a quantitative impact. In that case, they only answer the qualitative part.". Of course, it remains an option for non-life insurers to participate to use the quantitative impact assessment to determine the impact.