**Press Release**

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# EIOPA IS READY TO PROVIDE THE SOLVENCY II RISK-FREE INTEREST RATE TERM STRUCTURES

- *The first Solvency II risk free interest rate term structures to be published on 8 January 2016.*
- *Risk free interest rate term structures a key component of the Solvency II framework.*
- *External quality review of EIOPA's coding, documentation and processes.*
- *Publication of coding and technical documentation enables replication.*

**Frankfurt, 22 December 2015** – The European Insurance and Occupational Pensions Authority (EIOPA) published today the updated coding used to produce the Solvency II relevant risk-free interest rate (RFR) term structures. As of 1 January 2016 the new supervisory framework will be applicable and this code, which underpins the already published technical documentation, will be used for the monthly RFR publications.

Between October and December 2015, the external reviewer PricewaterhouseCoopers (PwC) has assessed the accuracy and replicability of EIOPA's RFR model and the robustness of the RFR calculation process, including under stressed conditions. The full text of the PwC Report can be obtained via EIOPA's website.

Gabriel Bernardino, Chairman of EIOPA, said: "*Today we reached another important milestone towards supervisory convergence for the benefit of the European insurance policyholders*. *EIOPA has set up a robust and transparent framework for the calculation of RFR term structures. During the preparatory phase lasting more than a year we worked with our members and different stakeholders to implement the RFR term structures. Now the risk free rate component of technical provisions under Solvency II will be calculated consistently across Europe and (re)insurance companies are able to replicate them".*

EIOPA developed the RFR during a preparatory phase. In 2014, EIOPA launched a public consultation on the RFR technical documentation. Risk free rate technical information was published monthly from February 2015. A quality-check of the coding was conducted both internally and externally. In summer 2015, the Authority called on its stakeholders and the MatLab community to spot possible errors and to help further improve the coding. Furthermore, the coding benefitted from EIOPA's dialogue with key insurance stakeholders and the validation process conducted together with experts from national competent authorities.

The changes to the RFR code are summarised in an updated Frequently Asked Questions (FAQ) document also available online.

The first monthly RFR term structures under Solvency II will be published on 8 January 2016. All the relevant documentation can be found here.

***Note for Editors:***

**The relevant risk-free interest rate term structures** are used for the calculation of the technical provisions for (re)insurance obligations. The risk-free interest rates term structure is applied to discount cash-flows of the (re)insurance obligations. The technical provisions under Solvency II reflect the current amount, which (re)insurance undertakings would have to pay if they were to transfer their obligations immediately to another (re)insurance undertaking.

**Public consultation on a Technical document regarding the risk free interest rate term structure** was conducted on 2 November – 21 November 2014: https://eiopa.europa.eu/Pages/Consultations/CP-14-042-Consultation-paper-on-a-Technical-document-regarding-the-risk-free-interest-rate-term-structure.aspx

**Exercise to challenge the "beta"-version of EIOPA risk free interest rate (RFR) coding** was conducted on 15 July – 31 August 2015: https://eiopa.europa.eu/regulation-supervision/insurance/solvency-ii-technical-information/risk-free-interest-rate-term-structures/disclaimer?Doc=Community_Assessment_Exercise&Name=Preparatory+phase_B-RFR+coding+files.zip

**MatLab** (matrix laboratory) is a programming language intended for numerical computing.

The **European Insurance and Occupational Pensions Authority (EIOPA)** was established on 1 January 2011.

EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities, the National Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Commission, the European Parliament and the Council of the European Union.

EIOPA’s core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of insurance policyholders, pension scheme members and beneficiaries.