

## Questions &amp; Answers

09 Jul 2014

ID	Document	Topic	No. Para	Question	Answer
		<b>Reporting template</b>			
1	eiopa-14-216-st14-templates.xls		BS+ Assets(CF)	Could you please explain in more detail what is to be entered here, I found no advice in the Technical Specifications, etc. Are there any explanations for this survey?	You find information on the expected cash flows to be reported in paragraph 29, 56 and 57. The cash flows should be undiscounted. Cell B6 in spreadsheet "BS+ Assets(CF)" should state "Year (projection of undiscounted expected cash-flows)", this will be updated accordingly in the next published version of the template.
2	eiopa-14-216-st14-templates.xls		BS+ Assets(CF)	We assume, the goal is to list here all assets with secure future cash flows. For an equity investment fund that is not possible, of course. That is why "Total" (cell C6) does not also mean the sum of all assets in the market value balance sheet, correct?	This is correct. Any assets allowing for secure cash flow projections should be added here. In case dividend payments on equity are voluntary and not predictable on a stable best effort basis they should not be added.
3	eiopa-14-216-st14-templates.xls		BS+ Assets(CF)	What is "Other (unrated) fixed income", this name does not appear in the market value balance sheet?	With "Other (unrated) fixed income" any cash flows related to fixed income not related to: a) government bonds, b) corporate bonds, c) structured noted and d) collateralized securities are meant here. The reference to "unrated" is obsolete and will be removed in the next published version of the reporting template. In general, all qualifying cash flows, independent of ratings, can be entered here.
4	eiopa-14-216-st14-templates.xls		BS+ / III - Property exposure	Is the total required allocation here the sum of the market value balance sheet items "property (other than for own use)" as well as the property subset of "Property, plant & equipment held for own use"? Without the position of "real estate funds"? Is that right?	This is not correct. It is expected that any investments in real estate funds should be added to the given categories on the real estate exposure, i.e. the best solution would be to apply a look-through approach. In case a look-through approach is not possible, the second best solution is a relative distribution on a best effort basis among the categories (e.g. 20% residential and 80% commercial). If a clear investment focus of a particular real estate fund is not given, it is proposed to add the investments of the fund fully to the commercial property sum.
8	Stress Test 2014 Reporting Template		Tab BS and BS+	ABC insurance Group and ABC Life (solo) have been asked to participate in the stress test, namely ABC Group for the core module and ABC Life for the low yield exercise. For both the core test and the low yield exercise, the tabs BS and BS+ need to be filled in in the reporting template. In the case where a Group and a related solo entity are both participating in the Stress Test/ Low Yield exercise, do we need to fill in the template twice and send two spreadsheets in, or can we duplicate the tabs BS and BS+ in one reporting template and send in one spreadsheet?	In these cases EIOPA is expecting two templates to be submitted.
20	eiopa-14-216-st14-templates.xls		BS	In the sum of total assets not all values are included. Cell C39 is not part in the sum of C73. Cell D39 and D56 are not part in the sum of D73.	Version 2 of the spreadsheet introduce a formula in C28:D28 (Investments) summing among other C39:D39 (Investment funds) and fix the formula in C73:D73 (total assets).
21	eiopa-14-216-st14-templates.xls		BS	Cell C116 and D116 aren't linked, so C116 should be C73 minus C114 and D116 should be D73 minus D114.	Correct and fixed in version 2 of the spreadsheet.
22	eiopa-14-216-st14-templates.xls		LTG - all sections	Calculations without LTG – firm is unable to estimate stresses without LTG as necessary information not readily available within the tight timeline. Figure re-runs will be required which is very time consuming. Is this acceptable to EIOPA?	EIOPA expects templates to be fully filled for the stress test exercise. As stated in the specification document, providing LTGA figures is optional. Please provide figures "without LTGA" if you are unable to provide them separately as "with" and "without" LTGA. We can accept "figures without LTGA" only, but we can not accept "figures with LTGA" only.
23	eiopa-14-216-st14-templates.xls		BS cell C39	Firm does not have a breakdown of investment funds easily available. Can they provide the total only?	Please provide a breakdown of investment funds. As a minimum we require a "look through" to ascertain approximate percentages for investment fund as a minimum in line with Solvency guidelines. Alternatively all funds can be allocated to "private equity" in total.
24	eiopa-14-216-st14-		BS cell C73	There is a formulae error in a cell BS C73. Will EIOPA issue a patch/correction to the template?	Please have a look at Q20.
31				In paragraph 29 of stress test specification, the required cash-flows "are those that once discounted with the relevant risk-free curve provide the best estimate value of the technical provisions when summed". That implies that both cash-flows and best estimate can be calculated by applying the volatility adjustment. However, risk-free curves in the complementary spread sheet is given without VA for satellite-module. Could you indicate if calculations are expected with or without constant VA application and which kind of LTG measures is applicable for this module?	As spreads remain constant after stress within the low yield module, all LTG measures (VA, MA, Transitional) should be kept constant when applying the low yield scenarios. The excel sheet with the curves will be changed and published by EIOPA.
34				In sheets BS.CA1 and BS.CA2 part I.3 in spreadsheet template, could you indicate if rows 137-143 should contain: - the effects on asset and liability after marginal shock on each financial variable or - the breakdown of the overall effect of stress scenario per source of risk?	It is the latter, i.e. a breakdown by source of risk.
35				The model of Group cash-flows projection is based on 50 years or the template is requested on 60 years. Is it possible to fill for years 50 the final outflow, and between 51 and 60 years to fill zero?	The preferred solution in this case would be an estimation of the cash flows for years 51-60. If this is not possible, it would be acceptable to fill the final outflow for years 50+ in year 50. But please leave the minus "-" sign in the cells for years 51 and up to allow us differentiating between a real lump sum in year 50 followed by no remaining cash flows from an absence of information for years 51 and up.
36				What does "LAC" mean? Especially why does "allowing LAC of technical provisions" for assets mean? What does "Values after stress (with LAC of TP/DT)" for Technical provisions?	"LAC" stands for "Loss Absorbing Capacity". TP stands for "Technical Provisions". "DT" stands for "Deferred Tax".
41	Reporting template		BS+ II.1 - Bond Portfolio Structure	Supranational issuers and EU institutions are missing in the drop down boxes, we could place them by the placement of the headquarters, but that seems incorrect/misleading?	Version 2 of the spreadsheet will reserve rows 93 (last row from the EEA countries area) and 106 (last row from the Non-EEA countries area) for Supranational issuers and EU institutions.
45	Reporting template		BS	Missing formulas in cell C28 and D28 total investments. Wrong formula in cell C73 and D73 total assets, investment funds are not included.	Please see Q20 and Q21.
46	Reporting template		BS	Missing formulas in C116 and D116 Excess of assets over liabilities	Please see Q21.

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47	Reporting template		BS+ II.1 - Bond Portfolio Structure	Total duration in cell H108 is calculated as a simple sum, shouldn't be an average duration like in section II.3 - Durations cells E128 to K128?	True. Formula removed in version 2 of the spreadsheet.
45	Reporting template		BS	Missing formulas in cell C28 and D28 total investments. Wrong formula in cell C73 and D73 total assets, investment funds are not included.	Please see Q20 and Q21.
46	Reporting template		BS	Missing formulas in C116 and D116 Excess of assets over liabilities	Please see Q21.
47	Reporting template		BS+ II.1 - Bond Portfolio Structure	Total duration in cell H108 is calculated as a simple sum, shouldn't be an average duration like in section II.3 - Durations cells E128 to K128?	True. Formula removed in version 2 of the spreadsheet.
51	Reporting template		BS (cell G176)	Floor to the Group SCR Eligible - the stress test reporting template requires us to complete an eligible own funds section for both the SCR and the Floor to the Group SCR. For the Floor to the Group SCR section, the Tier 3 element has been shaded out, implying that MCR tiering limits should be applied. We cannot find a reference to apply MCR tiering to the Group Floor SCR in the technical specification. Please can you provide clarification for the basis of this requirement.	This part of the reporting template is aligned with the content of the Guideline on submission of information to supervisors, published last November. More precisely, row 176 for groups implement the content published in row 77 of the sheet "OF-B1A-S.23.01.g" of the technical appendix 1. In this, the Tier 3 cell (G77) is shadowed. This is consistent with the technical specifications for the preparatory phase, section G.2.6, paragraph G.51, fourth bullet point.
53			SFIS	Can you confirm that the technical provisions in lines 211, 234 & 238 this sheet are gross of reinsurance and include risk margin?	We confirm that the technical provisions in lines 211, 234 & 258 are gross of reinsurance and include risk margin.
54			SFIS	Can you confirm that the technical provisions in lines 212, 235, & 239 in this sheet are net of reinsurance and include risk margin?	We confirm that the technical provisions in lines 212, 235 & 259 are net of reinsurance and include risk margin.
55			SFIS	Can you confirm that the "Best Estimate of products with a surrender option" input in row 213 is the net of reinsurance technical provisions excluding risk margin for products which have a surrender value?	Confirmed.
58			BS Rows 279 to 288	Can the information required in the cells headed "Code of single name exposure", "Loss given default" and "Probability of default" be clarified please? The QRT references to the right of these cells does not appear to correspond with the column headings. Also, can you confirm whether additional lines should be added where there are more than 10 exposures.	QRT reference are indeed wrong. In these, the S.26.01 prefix should be replaced by S.26.02. Please consult the technical annex II of the preparatory guideline for detailed explanation on content to be reported for template S.26.02 (Starts in page 68 of the english version). E.g.: this covers the top 10 exposures only, so no additional row should be added.
62			BS+	What is the meaning of (modified) duration in tabsheet "BS+"? Is it an interest rate or credit duration?	The aim of this cell is to have a workable information on the sensitivity of the market value of bonds to changes in market rates. One of the most used metrics is the "modified duration" (in general, Macaulay duration / (1+i) )
70				Do you consider public sector bonds as sovereign bonds. If so, in which cell of the reporting template should we populate the features of the type of bond? Same question for supranational bonds (bond issued by the European Investment Bank for example).	Public sector bonds should be treated as Sovereign/ Other Exposures, i.e. going into column G of Sheet BS+ Section II.1. The updated reporting template version has a separate row reserved for "Supranational (EEA)" and "Supranational (non-EEA)" bonds under "Other exposures".
76	Stress Test 2014 Reporting Template		Tab: "BS" Cells: C365 - D370	We would like to confirm that the "Gross" and "Net" capital requirements, refer to gross and net of loss absorbing capacity of technical provisions, rather than gross and net positions relating to risk mitigation (i.e. Reinsurance).	We confirm that the Gross and Net positions stated here are referring to gross and net of LAC of TP only. Implicitly these positions are all net of reinsurance.
77	eiopa-14-216-st14-templates			Mortgage and other loans are not considered to be impacted by the shocks on the yield curve. They are being included in the category "Assets not directly subject to the stress assumptions"? How can this be explained? It is quite strange that mortgage loans and other loans are considered as not being impacted by the low yield scenarios. Should there be a new field for mortgage loans and other loans? Is this an omission in the template?	The categorisation "Assets not directly subject to the stress assumptions" (hereafter (a)) and "Assets stressed under the scenario assumptions" (hereafter (b)) does not imply that assets not listed under (b) do not need to be stressed. All assets affected by the stresses (directly or indirectly) should be stressed. In the example of mortgages and loans, no explicit stress is applied to these assets, but their valuation could be indirectly affected e.g. by an interest rate stress. Therefore, mortgages and loans are expected to be incorporated into (a) taking into account any valuation changes post-stress.
78	eiopa-14-216-st14-templates			Shares are considered to be impacted by the shock on the yield curve. Why should the yield curve impact the market value of the shares?	The reporting template was designed in a way that would keep the formatting as consistent as possible throughout the different stresses, i.e. core (CA) and low yield (LY) stresses. Therefore, the equity position was not removed from the LY sheets.
79	eiopa-14-216-st14-templates			<u>A. &amp; B. Size of relevant business in terms of Technical Provisions (TP) plus development over past 5 years (potentially using the product categories below) and duration of assets &amp; liabilities</u>  In life the following product categories are defined: - Contracts without options and guarantees - Contracts with options and guarantees without surrender value - Contracts without options and guarantees with surrender value What about contracts <b>with</b> options and guarantees with surrender value? (cfr. Categories non-life) In life there are contracts <b>with</b> options and guarantees <b>with</b> surrender value. Where should those be classified? Is it allowed to make changes to the different product categories?	This is a mistake in the template and has been corrected for the latest published version of the reporting template.
80	eiopa-14-216-st14-templates			<u>C. Buckets of guarantee levels / fixed discount rates for Long-term Guarantess (LTG) and other low yield exposed business plus development over past 5 years</u>  How is the "portion of the business" being defined? Can the company make use of the statutory mathematical provision to define the portion of the business by bucket of guarantee level? BEL are not available by bucket of guarantee.	BEL is the preferred measure here. However, if it is not available by bucket of guarantee, please use a suitable alternative volume measure such as statutory provisions.
99	Template/BS tab/ S.26.02		BS	In Section S.26.2 - SCR Counterparty default. A) What code is expected in column "Code of single name exposure"? B) Can we insert lines to add more Single name exposures?	A. The code of the single name exposure should be: - Legal Entity Identifier (LEI) if available; - Interim entity identifier (pre-LEI) if available. If none is available this item should not be reported B. The intention is that only the 10 largest single name exposures in terms of the Loss Given Default are reported so no additional lines can be added.
101	eiopa-14-216-st14-templates.xls		BS. LYA sheet & BS.LYB sheet	Cell G12 contains the formula SUM(D137)-SUM(C137)-SUM(C24;D25)+SUM(C25;D24), where C137 and D137 are empty cells?	You are correct, the G12 formula in sheets BS.LYA and BS.LYB will be corrected to "=SUM(D51)-SUM(C51)-SUM(C24,D25)+SUM(C25,D24)".

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107	Stress Test 2014 Reporting Template		Tab: "BS" Cells: C233	For the Notional SCR for remaining part - does this refer to the SCR for everything else except the SCR for the ring fenced funds?	Yes.
120	eiopa-14-216-st14-templates.xls		Exchange Rates	We intend to report our results in GBP. For Group consolidation can you confirm that we should convert our International business from Euros to GBP using the exchange rate provided in the spreadsheet of 1.20310?	We confirm that the k factor as displayed on the "Participant" sheet should be used to convert into kEuro.
121	eiopa-14-216-st14-templates.xls		BS+ Assets(CF)	Column H ("Other Fixed Income"): Does this include local government bonds and supranational?	Please add local government bonds and supranational exposures to column D ("Government bonds") in the cash flow sheets.
122	eiopa-14-216-st14-templates.xls		BS+	II.1: Our Company holds supranational (EEA) in GBP and EUR, however there is only one row available (row 93) to populate the data in one currency of denomination. Can we add an extra line to account for the second currency of denomination?	Please use the row above the "Supranational" exposure rows if needed, but do not add rows to the template.
102	Treatment of Defined Benefit Pension			I assume that we include the impact of the adverse market scenarios on the valuation of assets and liabilities of the defined benefit pension scheme. In the pre-stress balance sheet there is a place for pension benefit obligations. However in the post-stress balance sheet (e.g. BS.CA1) there is no place for the pension benefit obligations. Am I correct in my assumption and where should I record the pension benefit obligations post-stress.	Pension benefit obligations should indeed be stressed where applicable. In the post-stress reporting sheets, please add the item to "Liabilities not directly subject to the stress assumptions". If the impact on pension benefit obligations is significant, please indicate this to your National Supervisory Authority.
118	eiopa-14-216-st14-templates.xls		Provisions Deficiency	In the template provided by EIOPA the input for items before the stress is required for two fields: "Total non-life obligation before stress" and "of-which concerned by the stress". Can you please explain, perhaps by way of example, how these two entries would differ for an item such as technical provisions.	For the Provision deficiency test, it is generally expected that all non-life technical provisions are "concerned by the stress".
124	eiopa-14-216-st14-templates.xls		BS+ Assets(CF)	Column J ("Other Assets"): Does this include property? If yes, can we assume a flat investment income from year 1 until maturity, as it is hard to predict property cash flows due to infrequent rent reviews and valuations?	Column J refers to any asset type (not directly referred to in the other columns) and for which a credible cash flow pattern can be obtained. This could, indeed, include property. Regarding these Cash Flow projections, the "best effort" principle is valid, we do ask you to disclose all assumptions made.
125	eiopa-14-216-st14-templates.xls		BS+	II.1: Do we report the amounts at market value in the currency of the country, currency of denomination or in our base currency, GBP?	The reporting currency and unit should be used as indicated in the "Participant" (cells C23 and C24).
127	Stress Test 2014 Reporting Template (updated v3)		"Overview", cell C38 (and by analogy, cells D38, C57 and D57)	There seem to be a number of problems with the formula calculating the effect of LTG measures; (1.a) first a clarification: Should the overall stress effect without LTG measures (BS.CA1, cell C148) include the changes in deferred tax liabilities? (1.b) If so, the term C35, "mitigation", should have the opposite sign in the formula in C38; if not, that term should not appear. (2) Secondly, there is no allowance for reporting the effect of changes in the SCR for the case without LTG measures; thus the term C36 "others" would have to be excluded in the C38 formula (or a corresponding term for this effect in the non-LTG case added). Could you please confirm or clarify these issues?	Please note slight change in question structure-numbering introduced: (1.a) "Overall stress effect on the excess of assets over liabilities without LTG measures" should include the effect of Deferred Taxes. The updated template is clearer on this. (1.b) The formula in C35 is fine, but C38 shouldn't deduct sum(C33:C36), but sum(C33:C34,C36) and add sum(C35). Again, this is corrected in the updated template. (2) The assumption taken was that the LTG measure effect on the SCR is not different, at the first order level, before and post stress. This effect is reported in the BS+ sheet (cell C149). If this assumption is materially incorrect in your situation, please provide appropriate information in your qualitative reply or comments to your National Supervisory Authority.
128	Stress Test 2014 Reporting Template (updated v3)		"Overview", cells L33-L37 (and similarly in other columns E through S)	Formulas in cells L33 and L34 don't seem right; should be exchanged? For the calculation of "Final surplus", cell L37, the aggregate loss is counted twice (own funds (R3), and Assets/Liabilities (R33/R34) respectively.	Assets and liabilities in rows 33 and 34 of the "Overview" tab are supposed to contain the changes in asset values and liabilities values (before mitigation), not the total value of assets or liabilities, thus avoiding the double count of own funds.
130	Specifications for the EIOPA Stress Test 2014		23	Property stress tests are proposed for 2 categories: residential and commercial. Should we assume that only property classified in these 2 categories should be stressed or do you require that all property held in our portfolios must be classified in one or the other category. If the latter is the case, we would like to receive more information on the allocation rules, with particular focus on offices, hotels and clinics.	All EEA property exposures should be stressed. In cases of doubt, the commercial property category and stress should be applied. Offices, hotels and clinics seem to qualify as commercial property.
132	Reporting template		BS.CA1	Following the answer to the question 4 published on EIOPA Q&A website ("It is expected that any investments in real estate funds should be added to the given categories on the real estate exposure, i.e. the best solution would be to apply a look-through approach."), I would like to check how to reflect stressed value of real estate funds in the template. The whole value of the fund before stress including Real Estate component is reflected in the line "Investment funds" (following formulas from the BS tab). At the same time Real Estate component of the fund before and after stress should be reflected in the row "Property in EEA" (and underlying rows). If the Real Estate component is excluded from the Real Estate fund after shock, there will be a discrepancy between the value before shock (sourced from BS and including Real Estate) and value after. My suggestion would be to manually change the value before shock to exclude Real Estate exposure. Please advise.	The preferred solution would be to keep the entries on the "BS" sheets unchanged as they are aligned with the templates of the SII preparatory phase. However, changes could be made to the pre-stress "Investment funds" exposures in the "BS.CA" and "BS.LY" sheets, i.e. cell C25 in BS.CA1 could be overwritten (deducting EEA property exposures held in investment funds) in order to ensure that the sums of "Assets stressed under the scenario assumptions" provide the correct outcomes. The updated template has amended the labels accordingly.
134	Reporting template		BS+ / II.3 - Durations	Is it interest rate or credit spread durations which need to be filled in the table? For example for Floating Rate bonds, the interest rate duration will be a couple of months when the credit spread duration can be several years. Looking at the layout of the table, it seems that it is going to be used to look at credit spread shocks. If so, credit spread duration is more suitable. Please confirm.	Interest rate duration is required. See answer to Q.62.
135	Reporting template			It would appear, that there is an error in formulas for "Scenario Results Summary" in sheets BS.CA1, BS.CA2, BS.LYA and BS.LYB. Value for Derivatives in Liabilities after shock is not used in "Scenario Results Summary" at all. The best place would be to put this in "Liabilities" in "Scenario Results Summary".	Agreed. The sum(row 31:row 35) in the Liabilities cell should be replaced by sum(row 31: row 36) to capture the evolution of the derivatives on the liability side. This is corrected in the updated template.
136	Reporting template			It would appear, that there is inconsistencies in formulas for "Scenario Results Summary" in sheets BS.CA1, BS.CA2, BS.LYA and BS.LYB. If risk margin is recalculated after shock, it affects the Technical Provisions, so it affects "Liabilities" in "Scenario Results Summary". Recalculated Risk Margin is also required in "Reassessed SCR post stress", affecting the "Delta SCR" in "Scenario Results Summary". This takes the change in risk margin twice in "Scenario Results Summary".	Agreed. The effect of (optional) risk margin recalculation should be removed from the liabilities for the sake of comparability of reported results on the liability side before the optional effect of SCR/Margin recalculation ("others"). i.e. "=IF(AND(C46<>"-";OR(D46<>"-";E46<>"-"))),IF(D46<>"-";D46,E46)-SUM(C46),0)" should be added at the end of the formula in G16 of BS.CA? and respective cells in BS.LYA/B. This is corrected in the updated template.
143	Reporting template		"Participant" information	Can you please confirm that only (re)insurance entities within the EEA and therefore regulated under Solvency II need to be entered (B41:E80)	Re)insurance Groups participating in the exercise should include all subsidiaries in the consolidated Balance Sheet in the baseline and stressed scenarios. However, regarding the list of subsidiaries requested on the "Participant" tab, it is sufficient to list the EEA subsidiaries and include a line that consolidates all other subsidiaries (e.g. "All Non-EEA subsidiaries").

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145	eiopa-14-216-st14-templates-v4_20140611_xls		BS	In line 111 and 112 of BS what has to be filled? Why is there a split between "in BOF" and "not in BOF"? We expect the VA has no impact on the balance sheet.	Those subordinated liability items are explained in tab "BS-C1-L-5.02.01" of Annex II in the "Guidelines on Submission of Information to National Competent Authorities" as published by EIOPA on 31 October 2013: <a href="https://eiopa.europa.eu/publications/eiopa-guidelines-new/guidelines-on-submission-of-information-to-national-competent-authorities/index.html">https://eiopa.europa.eu/publications/eiopa-guidelines-new/guidelines-on-submission-of-information-to-national-competent-authorities/index.html</a>
141	Reporting template		Sheet "overview"	Cell "I11" (... of which impact of transitional on RFR) refers to "BS+IG150" and "BS+IH150" but both cells are empty and should not be filled (white cells).	This error will be corrected in the next published version of the template. The corrected formula for cell I11 looks as follows: "=SUM(BS+IG149,BS+IH149)".
144	eiopa-14-216-st14-templates-v4_20140611_xls		BS+, section IV	In section IV the effect of the LTG measures have to be filled in. For example the Volatility Adjustment. We have question regarding the volatility adjustment: - what has to be filled in in the line 144 Volatility adjustment? In the presentation of EIOPA of 13 June 2013 ( <a href="https://eiopa.europa.eu/fileadmin/tx_dam/files/consultations/QIS/Preparatory_forthcoming_assessments/final/outcome/EIOPA_LTGA_Report_14_June_2013_01.pdf">https://eiopa.europa.eu/fileadmin/tx_dam/files/consultations/QIS/Preparatory_forthcoming_assessments/final/outcome/EIOPA_LTGA_Report_14_June_2013_01.pdf</a> ) an example (page 153) for the VA was given in which these amounts were the same. This presentation gives the impression that there is no adjustment in the balance sheet with volatility adjustment compared to the balance sheet without volatility adjustment.	The use of the volatility adjustment will affect the value of the technical provisions as a consequence of a change in the discount rate to be used, consequently the available own funds will be affected. The size of this effect will depend of the type of liabilities (mainly their duration) and the value of the volatility adjustment to be applied. Your reference to an example included in the LTGA report published by EIOPA in 2013, is not relevant for the stress test as it illustrated an alternative solution which was not picked up in the final OMD2 text recently published ( <a href="http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_2014_153_R_0001&amp;from=EN">http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_2014_153_R_0001&amp;from=EN</a> ). The mentioned EIOPA report was elaborated for the only purpose of informing the political debate during the OMD2 negotiations and for that purpose EIOPA included alternative ways to overcome some drawbacks observed in the design of the LTG Package, being one of them the example that you refer to. The EIOPA 2014 stress test exercise is based on the latest OMD2 text, including the Long Term Guarantees (LTG) measures agreed by the Trialogue Parties on the 19 of November 2013, which have to be applied for the stress test according to the technical specifications elaborated by EIOPA for the preparatory phase ( <a href="https://eiopa.europa.eu/publications/technical-specifications/index.html">https://eiopa.europa.eu/publications/technical-specifications/index.html</a> ) and the specific stress test specifications ( <a href="https://eiopa.europa.eu/activities/financial-stability/insurance-stress-test-2014/stress-test-specifications/index.html">https://eiopa.europa.eu/activities/financial-stability/insurance-stress-test-2014/stress-test-specifications/index.html</a> ).
148				Could you please explain which standard deviation should be reported in eiopa-14-216-st14-templates.xls - sheet BS - cell C383 (USP Standard Deviation) and cell E383 (USP) according to paragraph 59 of Stress Test 2014 specifications (Undertakings shall not use Undertaking Specific Parameters (USPs) for the stress test 2014 calculations.). Should undertakings report Standard deviations prescribed in Technical specifications for the preparatory phase (SCR.9.19, SCR.9.23) or should they report USP standard deviations.	The usage of USPs is not foreseen in the preparatory phase of Solvency II and therefore also not foreseen in the Stress Test. All cells relating to USPs can therefore be disregarded. They were only included for the sake of template consistency.
149	Reporting template		BS.CA1 BS.CA2	In the cells C133 and C146 you have included the comment: "Positive value means a loss (a decrease in the excess of assets over liabilities)" Is this a mistake or do you really want to see a loss with a positive sign, as this is not intuitive.	It is not a mistake, but is based on the usual way to handle capital requirements (e.g. SCR risk components were a positive SCR means a loss in own funds if the risk materialized).
150	Stress Test Reporting Template		BS+	Could you please clarify whether in "II.1 - Bond portfolio structure" we have to provide all bonds or only those excluding unit-linked investments? E.g. in "II.2 - Credit quality" it is clearly stated "Scope: Whole portfolio, excluding assets owned for unit-linked/index linked".	Tables II.1, II.2 and II.3 in sheet BS+ should capture to the same assets. The three tables refer to item in cells C28 and ss of sheet BS (i.e. excluding unit-linked investments). If the amount of bonds covering unit-linked investments is material, you can provide additionally this information (as a separate piece of the templates).
154	eiopa-14-216-st14-templates.xls		BS.LYA and BS.LYB	Assets not directly subject to the stress assumptions (cell D9) include loans which are affected by the change of the yield curves. Should we include this effect there or somewhere else?	Please include the effect under "Assets not directly subject to the stress assumptions" including the change in value. If the impact is significant, please inform your National Supervisory Authority about it in your qualitative repplier respectively comments that you will submit with the results.
155	eiopa-14-216-st14-templates.xls		BS.LYA and BS.LYB	The delta SCR (cell G13) includes the effect from the change in the Risk Margin (if recalculated). However, this is included in the change of liabilities. Hence, there is a double counting in the final surplus.	See Q136. This error has been eliminated in the template version 5 as published on 18 June 2013.
157				In the spreadsheet (i.e. rows 234-235 in sheet "BS"), could you please confirm that the "Gross" and "Net" future discretionary benefits, refer to gross and net of loss positions relating to risk mitigation (i.e. Reinsurance)?	Confirmed that it relates to Gross and Net of Reinsurance. By the way, those items are explained in tab "SCR-B2B-L-5.25.02" of Annex II in the "Guidelines on Submission of Information to National Competent Authorities" as published by EIOPA on 31 October 2013: <a href="https://eiopa.europa.eu/publications/eiopa-guidelines-new/guidelines-on-submission-of-information-to-national-competent-authorities/index.html">https://eiopa.europa.eu/publications/eiopa-guidelines-new/guidelines-on-submission-of-information-to-national-competent-authorities/index.html</a>
162	Stress Test template		BS:C206	Should the diversification be entered as a positive or negative value?	Diversification should be displayed as a negative number. The "Guidelines on Submission of Information to National Competent Authorities" as published by EIOPA on 31 October 2013 clarify that Basic SCR equals the sum of components including the diversification (i.e. diversification needs to be negative).
163	Stress Test template		BS:C211	Should the loss absorbing capacity of TP/DT/RFF be entered as negative or positive values?	For the purpose of the stress test, please provide LAC figures as negative values.
164	Stress Test template		BS:C28-C51	Is our understanding correct that the section C28-C51 only includes assets, which are directly hold by the insurance undertaking? For example this section does not include assets which are hold by a participation, even if the data is available?	Your understanding is correct. The balance sheet follows usual balance sheet conventions and no look-through for participations is expected.
169	Stress Test template		BS:C234/C235	Could you please explain the difference between FDB gross and net?	See Q157.
170	Stress Test template		Validation tool	Do you plan to provide a tool to validate various cells as for example counterparty default, SCR,...? We see this lack of formulas in the template as a major source for mistakes.	EIOPA is not planning to provide such a tool.
180				Do you consider public sector bonds as sovereign bonds. If so, in which cell of the reporting template should we populate the features of the type of bond? Same question for supranational bonds (bond issued by the European Investment Bank for example).	Yes. See answers to Questions 70, 121, 122 and 152. Participants should inform NCAs when any of such exposures is material.
181				In sheets BS.CA1 and BS.CA2 part I.3 in spreadsheet template, we understand that the overall impact of the market stress-scenario on the balance sheet is expected to be reported under the columns C (Allowing for the LAC of technical provisions) and D (Before the LAC of technical provisions). We also understand that under columns E, F and G we should report the market values of assets before the market stress-scenario (column E) and after the market stress-scenario (columns F and G). We do not understand why market values post stress are required under two columns (F : Allowing for the LAC of technical provisions and G : Before the LAC of technical provisions) as they should not differ according to the ALAC of TP. Hence, for us, values under columns F and G should be the same. Could you confirm ?	The allowance for the LAC of technical provision may have an impact on the modelling of future policyholder behaviour, and thus an impact on the assets cash flows. Usually, this is not expected to have a material impact on asset values.
182				BS+ / BS.CA : In tab "BS+", part "II.1 - Bond portfolio structure", 30 lines are available (between line 63 and 93) to fill bonds not mentioned above. This list is not entirely taken in tabs "BS.CA1" and "BS.CA2". 18 lines are missing. What is your guidance ?	In sheets "BS.CA1" and "BS.CA2", please provide the Top 10 (by size) exposures of EEA "bonds denominated in other currency than the currency of the country of issue" plus the supranational ones (in the dedicated row), and summarise all others in the remaining row.

ID	Document	Topic	No. Para	Question	Answer
183				"BS.CA1" and "BS.CA2", balance sheet : We understand participations are included in "Assets not directly subject to the stress assumptions" whereas these ones have been stressed in the calculation. How can we mention impact of the stress on participations ?	Please include significant impacts on "Assets not directly subject to the stress assumptions" in your qualitative submission or comments to the National Supervisory Authority.
184				Concerning assets reporting (tabs BS+ II.1, II.2, and BS+ LY Assets cash flows), are figures based on look through approach, contrarily of the balance sheet presentation ?	Look through should be applied according to the technical specifications. Nevertheless, where the undertaking cannot apply the look through within the deadlines of EIOPA Stress Test 2014, on a best effort basis and for the sole purposes of Stress Test, the undertaking will allocate the value of the collective investment in the concrete asset of the templates whose credit quality and market spread as of 31-12-2013, better reflects the category and market spread of the collective investment. In any case the undertaking needs to ascertain that the overall information provided in the templates is representative of its overall profile (i.e. type of exposure, credit quality, market spread, duration,...)
185				The formulas used to calculate the ratio SCR/EOF after stress are based of variation of BoF without newer analysis of rules of eligibility and limitation own funds. So the non-eligible capital amount is assumed implicitly to be constant after stress. Could you confirm as this is a strong assumption?	If this simplified assumption made for the purpose of the stress test only is materially incorrect in certain situations, related formulas can be overwritten by participants.
186				The final SCR coverage ratio (in Overview sheet, line 44 and line 63) is based on the initial MCR coverage ratio instead of the SCR.	You are right. In rows 44 and 63, reference to row 26 should be replaced by reference to row 21. This has been correct in the latest version of the reporting template.
187				In the SFIS sheet, the percent change in the solvency ratio is calculated as the percent change in the Own funds divided by the percent change in the SCR. This mistake is common to cells : F36 – F53 – F73 – F97 – F121 – F145 – F169	You are right. This has been correct in the latest version of the reporting template.
188				In the SFIS sheet, the SCR post stress is calculated as being equal to the SCR pre stress. We think this is a very strong assumption. This mistake is common to cells : D35 – D52 – D72 – D96 – D120 – D144 – D168 – E202 – G202 – E219 – G219 – E242 – G242 – E266 – G266.	If the assumption (made for this stress test for simplification reasons) is materially incorrect, participants can overwrite the underlying formulas in the cells mentioned with an updated post-stress SCR number.
189	Template			In I.2 - Bond portfolio values post stress, there are 13 rows for bonds issued by EEA countries, denominated in other currency (rows 91-103). However in BS+ there are 31 rows in BS+ for the same bond types (rows 63-93) and so not all bond categories are fed through to BS.CA1. Therefore the total after stress total (BS.CA1 cell E118) will not be equivalent to before stress total (BS+ cell F108).	Please see Q 182.
126	eiopa-14-216-st14-templates.xls		BS+	II.2 & II.3: We plan to report credit holdings only in these sections, i.e. corporate bonds (excluding securitised credit). Is this correct?	This is correct, only corporate bonds need to be reported in those sections.
173	EIOPA Stress Test Template		BS+-Assets(CF)	Is it a correct understanding that the cash-flow pattern of unit-linked business should not be included in the asset and liability cash flow templates? If not, what assumptions should be used for cash flow of the indirect investments (investment funds) where only strategic asset allocation and leeways are determined?	See Q160.
190	Stress Test Exercise Template		I.Natural Catastrophe or Man-made event stress-SFIS.Q	As far as the Natural Catastrophe / Man-made event stresses (1-200 and 1-100 year basis): Where do you have to describe the defined specific natural or man-made event stresses? SFIS.Q tab includes only questions about EIOPA market wide events.	Please use the comment cells in rows 38 and 55 of the template to provide high-level details on the specific scenarios.
191	Stress Test 2014 Spreadsheet		BS+	Is it correct to assume that, if we exclude as requested assets owned for unit-linked/index linked products in the section "II - Bond Portfolio" table "II.2 - Credit quality" (lines 100 to 118), we should also exclude them from the tables "II.1 - Bond portfolio structure" lines 26 to 108) and "II.3 - Durations" (lines 120 to 128) to ensure the scope is consistent ?	This is correct; see also answer to question 150.
193	VA present value of the cash flows		template	In the template where the cash flows are presented, line 7 needs to be filled in with the present value of the cash flows. Please advice which curve should be used to calculate the present value.	The aim of the present value figures is to provide a high-level check of the related Balance Sheet items. It is acknowledged that this is not fully achievable (e.g. for TP items). Keeping this in mind, please use discount curves that are as aligned as possible with the approach taken for the respective Balance Sheet items, e.g. applying Volatility Adjustment and Matching Adjustment on the TP side where appropriate. Please note that this applies for the present values only, all provided cash flow should be undiscounted.
195	Future cashflows/ liability question			Are the cashflows expected to be shown in tabs "BS+Liabilities (CF)", "BS+LYA.Liabilities (CF)", "BS+LYB.Liabilities (CF)" gross or net of reinsurance?	We expect to see liability cash flows gross of reinsurance.
196	Reporting template			In the tab 'Overview' the 'Impact on surplus / others' seems to be wrong for the Life and Non-life stresses. Specifically: In the tab 'Overview', for the life stresses the 'Impact on surplus/ assets' (cells N33-S33) plus the 'Impact on surplus/ Liabilities' (cells N34-S34) equals to the 'Aggregate Loss, net of reinsurance' In the tab 'Overview', for the life stresses the 'Impact on surplus / others' (cells N36-S36) equals again to 'Aggregate Loss, net of reinsurance' So, the 'Final Surplus' (cells: N37- S37) is wrong because the 'Aggregate Loss, net of reinsurance' counts twice. The same happens for the Non life stresses tests (E37-M37).	You are right. Formulas in rows 33, 34 and 36 of the Overview tab have been amended for the Single Factor Insurance Stresses in the update reporting template as follows: formulas of "- Assets" and "- Liabilities" were swapped, and formulas of "- Others" have been linked to solely pick up potential changes in SCR after the stresses.
198	Stress Test Reporting Template		BS+	It seems to be some mistakes in the Stress Test Reporting Template sheet "Overview": formulas in cells E36:M36 lead to double counting the impact of the shock.	See Q196.
199	Stress Test Reporting Template		"BS.LYA BS.LYB"	Could you please identify where should we put investments in Macedonia and Montenegro in Reporting Template sheet BS+ II.1 - Bond portfolio structure? In the drop-box list for the Non-EEA Countries there are no such countries.	The drop-down menu links to the cells O57:Q115 in the "Participant" sheet. Please overwrite the Country, Currency and ISO4217 code of two countries that are not needed for your submission with the missing countries.
200	Reporting template		'BS.CA1', 'BS.CA2', 'BS.LYA', 'BS.LYB'	Cell G12 contains mitigation due to the LAC of TP (possibility to decrease the policy holder participation [PhP] ). But according to our understanding, this LAC effect is also included in the cell D28, as via the replication we use, the LAC (decrease of the PhP) is already reflected in the value of TP after the shock. LAC effect is potentially double counted, which could lead to a higher solvency ratio after an interest rate decrease. Can you please clarify how to proceed in this case.	You are right. Generally, the delta impact of the LAC of TP should already be reflected in the value of TP after shock. The latest reporting template has been amended to remove this double counting by deducting the LAC of TP impact from the "- Liabilities" item.
201	Reporting Template		'Overview' rows 44 and 63.	The 'Final Coverage Ratio' under 'Impact on SCR Ratio' appears to be using an incorrect formula. It is taking the step-by-step impacts on the SCR solvency coverage for each stress and applying them to the base MCR solvency coverage. This results in a combination of MCR and SCR coverage ratios which has no meaning. We believe that it should be applying the step impacts to the SCR solvency coverage. ie C21 rather than C26. please confirm.	You are right. This has been corrected in the latest template version.

ID	Document	Topic	No. Para	Question	Answer
202	Reporting Template			'Eligible own funds to meet the minimum capital requirement' is using the pre-stress own funds amount in the post-stress situation. Please advise.	The simplified approach taken for the stress test only adjusts the own funds post stress for the delta in assets over liabilities. If the assumption is materially incorrect in certain situations, participants can overwrite the respective formulas.
203	Treatment of commercial mortgages			Firm advised the main impact on commercial mortgages will be from property stress, with relatively small impact from the credit stress. It should therefore theoretically be a combination of credit stress reflecting the probability of default and property stress reflecting the loss given default. So it will be useful to have more information on the rationale underlying the proposed treatment.	As the Technical Specifications for the 2014 Stress Test lack special mention on the treatment of mortgages and the Stress Test process is already very advanced, participants can limit the stress performed on mortgage valuations to the interest rate stress. For future exercises, EIOPA will ensure that the treatment of mortgages is more clear and more explicit stresses are provided including spread stresses. Please also note that the property stresses would be expected to impact the credit modelling of undertakings, e.g. with regards to Loss Given Defaults.
205	Stress Test Exercise Template		I.OVERVIEW	Entity Specific Events: It seems that the Final Surplus formula (F37) does not work properly since it double counts reinsurance losses. Based on tab SFIS our aggregate loss net of reinsurance is €1.852 whereas on OVERVIEW it increases to €2.667.	The error has been eliminated in the updated reporting template as published on 3 July.
206	Reporting Template		Overview rows 33 to 37.	The 'Assets' and 'Liability' impacts appear to be the wrong way round for the Single Factor stresses and the net impact of the stress appears to be double counted, such that the stresses are twice as severe in the 'Final Surplus'. As a result, the impact does not match the correct calculations on the 'SFIS' tab.	The error has been eliminated in the updated reporting template as published on 3 July.
208	eiopa-14-216-st14-templates.xls		S.02.01	Is our assumption that the 'statutory accounts value' equates to the 'IFRS' value correct?	statutory accounts value stands for local GAP. In many instances 'statutory accounts value' equates IFRS, in particular for listed groups, but not necessarily.
212	Reporting templates		"BS"	In the 'BS' sheet, cell D73 'Total assets' in the Statutory accounts column (D) does not include cell D56 'Loans on policies'. In the SI balance sheet column (C) it is included because C53 is a 'father' account for loans, while this is not the case in D53.	The item "Loans and mortgages" in D53 should include "Loans on policies" and is included in the "Total assets" sum.
213	Reporting templates		"BS.LYA" & "BS.LYB"	In the 'BS.LYA' sheet, cell H14 'Final SCR ratio' does not take into account possible recalculation of SCR (cell D40), as it bases the ratio only on the base case SCR (cell C40), thus the ratio calculated is not accurate. This is also applicable for the 'BS.LYB' sheet.	You are right, in the case of recalculation of SCR post stress, the final SCR ratios on those cells would be incorrect. The reporting template has been amended to correct this error in all relevant sheets (BS.LYA, BS.LYB, BS.CA1, BS.CA2).
		<b>Qualitative Question - Low Yield</b>			
5	eiopa-14-216-st14-templates.xls		LY.Q Question F	Do you have to consider new business expected for the next 10 years?	New business is only to be included to the extent that it falls within the contract boundaries as defined under Solvency II.
7	eiopa-14-216-st14-templates.xls		LY.Q Frage C & F	Some member states have implemented special reserves for guarantee products in the context of the low yield environment. How are these special reserves to be treated, e.g. in questions C and F?	No assumptions on those additional reserves for guarantee products or their potential impact on guarantee rates should be made for the future, i.e. the guaranteed rates should be determined on the basis of the rates mentioned within the insurance contracts, not taking into account the impact of any 'additional national reserves' for these guaranteed products.
10	Stress Test 2014 Reporting Template		Tab LY.Q/A-B	In Tab LY.Q, under A-B, we are asked to provide the split of the technical provisions. In column B, for Life insurance, except unit-linked and index linked, 3 types contracts are defined namely 'Contracts without options and guarantees', 'Contracts with options and guarantees without surrender value', 'Contracts without options and guarantees with surrender value'. We are wondering whether the last contract type is actually meant to be 'Contracts with options and guarantees with surrender value'. This way the whole technical provisions are covered.	The templates will be updated as follows: <ul style="list-style-type: none"> <li>Contracts without options and guarantees</li> <li>Contracts with options and guarantees without surrender value</li> <li>Contracts with options and guarantees with surrender value</li> </ul>
11	Stress Test 2014 Reporting Template		Tab LY.Q/C	In Tab LY.Q under C, we are asked to fill in the percentages of different contract types. We are wondering how these need to be filled. For instance, must cells C24-G24 sum to 100%?	Columns C-G of tables in section C should be filled with TP figures in local currency. All TP values in a row should then add up to the respective figure in section A&B, e.g. cells C24-G24 should add up to cell C9 or cells C80-G80 should add up to cell G9.
12	Stress Test 2014 Reporting Template		Tab LY.Q/C	In Tab LY.Q under C, how should we fill in column H? Should it be the average guarantee rate level for this line?	It should be the TP-weighted average guarantee rate.
32				In paragraph 29 of stress test specification, the required cash-flows "are those that once discounted with the relevant risk-free curve provide the best estimate value of the technical provisions when summed". However, the discounting with the relevant risk-free curve of undiscounted average cash flows doesn't provide the best estimate as cash-flows and financial risks are associated. For some participants, the difference is significant (around 10%). This is especially true for life insurance with participation. Regarding asset cash-flows, specifications do not indicate whether it is needed to consider future assets reinvestments. Could you give more details regarding the definition of required cash-flows on asset & liability sides?	The liability cash flows associated with the base risk free curve are expected to be sent in, with the recognition that once discounted and added up they do not reproduce the best estimate from stochastic modelling in case optionality is present. Future asset reinvestments should not be considered for the assets valuation purposes. Neither should the future asset reinvestments be considered for the purposes of projecting the cash flows required in the low yield module. Furthermore, both the liability and asset cash flows should be the expected (as opposed to nominal) cash flows given the observed market reference rate. Examples include liability benefit payout cash flows reduced by lapse and/or mortality; or nominal coupons reduced the expected default.
37				Please note, that there is a difference of more than 10% between : The Best Estimate based on stochastic and risk neutral and The sum of expected cash-flows of Liabilities discounted with the risk free curve. Then we think that the request is not consistent.	It is recognised that such a difference can exist. This is acceptable.
82	eiopa-14-216-st14-templates			G. Under a 'runoff' assumption, at what point in time could asset returns be insufficient to cover guarantees (if at all)?  This question is not clear. Does this question have to be seen in relation with the default risk and the equity risk? If, at any time, there is a large default or if the stock markets are performing really poor, the return on assets can change quite significantly. What assumptions have to be taken when answering this question?	Assumption underlying this response should be aligned with the assumptions used for the undertakings' business planning with the exception that new business is assumed to be zero going forward.
83	eiopa-14-216-st14-templates			Do the asset cash flows related to the unit-linked business have to be part of the assets in this sheet of the template?	As the unit-linked liability CFs have to be provided, also the related asset CFs have to be disclosed in the Asset CF sheet of the low yield module.
91	LY.Q		E.	How the average guaranteed rate should be calculated (e.g. weighted by number of policies as there is usually no technical provision at the beginning of the contract)?	The average guaranteed rate should be calculated/weighted based on the outstanding amount of technical provisions (in any case).

ID	Document	Topic	No. Para	Question	Answer
92				The participant has a question regarding Low Yield Questionnaire, part A, B & C, whether there should be filled the amount of technical provisions calculated under Solvency II or technical provisions according to local accounting standard. The undertaking is able to fill the TP calculated under Solvency II for the years 2012 and 2013 only.	The amount of TP should be filled according to Solvency II rules (based on the Stress test 2014 specification document). In principle all data should be provided however the 'best effort principle' applies and in case, that the undertaking is not able to fully calculate the Solvency II values for the years 2009 – 2011, Estimates should be used where needed (e.g. based on LTGA exercise or other), please indicate where estimates were used.
95	EIOPA stress test 2014 (low yield exercise)		p. 17, 56	According to paragraph 56 a "going concern" is to be used. Does this mean that the cash flow should include realistic assumptions of reinvestments?	No, please see answer to question 32.
172	Specifications for the EIOPA Stress Test 2014; EIOPA Stress Test Template		2.1.1, 2.2; BS.LYA; BS.LYB	According to the table of content of the EIOPA Stress Test Specification, Market-stress scenarios are explicitly mentioned only in case of the core stress test module. However, the low yield exercise template sheets "BS.LYA" and "BS.LYB" require balance sheet data also for the post-stress situation (column D). These sheets, however, require only the presentation of the "Impact of Low yield scenario A/B on balance sheet" (cell B6). Low Yield scenario A and B are alternative risk-free rates and it is not obvious what impact they have on value of assets, eg.: property, government bonds, etc. We have the same question for the post-stress asset CFs for scenario A and B. <b>Is it a correct understanding that for the post-stress data on the asset side the market stress-scenarios from the core stress modules should be used?</b> In that case it would mean that not only the impact of low yield scenario A and B will be reflected in column B, but also the impact of market-stress scenarios.	Your understanding is not entirely correct. For the core stress test module it is true that the post-stress balance sheet should include the effects of all the stresses included in the core stress module (i.e. interest rate shock, spread shock, equity shock, ...). For the low yield module, only the effect of a change in the risk free rate following the interest rate shock should be included. Within this low yield module, we expect the change of the risk free rate to have an impact on both the liability and the asset side e.g. sovereign bonds, corporate bonds, ...
192	VA cash flows post stress		template	From the answer to question 32 we understand that the cash flows should be generated given the observed market reference rate. Could you please advise on the cash flows post stress, in particular if they should be generated with or without the VA?	The cash flows post-stress should be generated on a consistent basis with the cash flows pre-stress. So, applying the same methodology to derive the observed market reference rate.
		<b>Application - Low Yield</b>			
38				Could you please confirm that the two low-yield stress scenarios (satellite module) should be considered as shocks on the base IR curve (hence higher market values at t=0) and not as new base curves (hence equal market values at t=0 than as at end of 2013 calculation)	The two low yield scenarios are indeed to be considered 'stressed' base IR curves (not as 'new base curves')
39				Could you please confirm that the baseline to which we have to compare the two low-yield stress scenarios (satellite module) is the baseline curve in file "eiopa-14-217-stress_test_2014_annex_dc1.xlsx" sheet Main_RFR, "baseline" selected, without VA, and not the one with VA or the one we used for YE2013 calculation (which is with the VA corresponding to our portfolio, taking into account our with profit / non-profit specific allocation, and with credit adjustment) ?	Volatility adjustment is a currency or country specific measure, rather than an undertaking specific. Therefore all participants are requested to use the curves provided by EIOPA in the "eiopa-14-217-stress_test_2014_annex_dc1.xlsx", both for the baseline as well as for the stressed scenarios. Whether the curve used for the baseline includes the volatility adjustment or not is an option for participants. Should a participant decide to use the baseline curve with volatility adjustment, information on the impact without the volatility adjustment should be provided as well.
56			BS+ LYA Assets(CF)	Is our assumption correct that equities and property do not fall into the category of 'assets for which a cash-flow profile can be obtained' and as such should not be reported?	This is partially correct. Any assets allowing for secure cash flow projections on a best effort basis should be added here. For example, in case dividend payments on equity are voluntary and not predictable on a stable best effort basis they should not be added. The same principle applies for all other asset cash flows which are not predictable on a stable best effort basis. Also see the answer to question 2.
57			BS+ LYA Assets(CF)	Can you provide some examples of changes you would expect to see in the asset flows under the low yield scenarios if the starting portfolio of assets does not change?	See Q32. Examples include default risk and the value of options.
96	EIOPA stress test 2014 (low yield exercise)		p. 17, 56	What should the assumption be for asset like stocks where it's not possible explicit to create a cash flow. If we just assume there is no cashflow then the value of these assets would be zero in the analysis.	Partially true, please see answers to question 2 and 56.
105	Reporting template			Should look through be applied to cash flow analysis?	For this exercise, the look-through approach should be applied on a best efforts basis.
109	Stress Test - Low Yield Exercise Templates		BS.LYA and BS.LYB	For cashflows under both Low yield scenario A and B - we only have cashflows available for assets backing annuities. Those assets backing other business (i.e. with profits products) are not available without doing considerable extra work. Can we only submit asset cashflows for the annuities?	For the purpose of the stress test all the asset cash flows backing the liabilities are requested. Participants are asked to provide the complete data sets on a best effort basis following the specification and using estimates only when this is unavoidable. Be reminded that should information is not provided in a complete form its inclusion in the final analysis cannot be ensured and hence the overall sample might result distorted.
110	Stress Test - Low Yield Exercise Templates		BS.LYA and BS.LYB	It is not clear what approach we should adopt for with-profits business where the business is modelled stochastically and the asset strategy is dynamic. Please advise.	We appreciate the difficulties, though firms have been asked to complete the returns on a best endeavours basis and in this spirit it would be reasonable for firms to simplify the calculations by assuming a fixed asset allocation backing asset shares in each with-profits sub-fund (or each part of a with-profits fund for which different asset allocations apply). Returns on each different asset type should be consistent with the returns implied by the cash-flows for those asset types as shown on the asset cash flow spreadsheets in each of the base and stress scenarios. The cash flows for future discretionary benefits would then be calculated as (projected asset shares – guaranteed benefits) subject to a minimum of 0. Where such simplifications are used it would be helpful if details could be provided with the returns, setting out the asset allocations assumed and how they were arrived at (for example the fixed assets used for the projections might be the actual allocations at the valuation date (in base), estimated allocation after some approximate rebalancing (in stress)), any other management actions assumed in preparing the projections, and other management actions available but not assumed in the projections.
139	Reporting template		Questionnaire	In the questionnaire of the EIOPA stress test, we are asked about maturity re-profiling. What exactly is the definition of that? Does it mean to what exact we would alter the duration of our assets/liabilities?	Maturity reprofiling' means altering maturities of asset classes or types of liabilities or both in order to change the duration of assets, liabilities, or both. Examples: investing in longer maturity government bonds instead of short term government bonds.
174	EIOPA Stress Test Template		BS+ Assets(CF)	How should the cash flow of a floating-rate bond taken into account? Is it a correct approach to use the forward rates for the estimation of expected coupon payments or other methods should be followed?	For the sake of market consistency, it is expected that the method to assess the expected payments of an asset FRN should be consistent with the method used to project the cash flows derived from insurance and reinsurance obligations. Supposed a single-price market (i.e. instruments traded with sufficient depth and transparency), forward rates may be considered as representative of the expected average return. Furthermore, the characteristics of the curve (i.e. credit quality) used to derive the forward rates need to be appropriately considered in the projection of cash flows with forward rates.

ID	Document	Topic	No. Para	Question	Answer
175	EIOPA Stress Test Template		BS+ Assets(CF)	How should the cash flow of a callable bond taken into account?	In case of institutional issuers of bonds, the undertaking will assume a rationale economic behaviour of the issuer when deciding in the future to execute the option to call the bond. The insurance or reinsurance undertaking will consider the 'conditions expected' at any moment the issuer has the right to call the bond. 'Conditions expected' refers to financial conditions (e.g. forward rates) but may also include other conditions relevant for the execution of the call, provided the undertaking has sufficient certainty they will exist at the relevant moment. In case of non-material exposures to callable bonds, on best effort basis and for the sole purposes of EIOPA ST 2014, the undertaking may project cash flows under a few number of scenarios capturing the possible performances of the call of the bond under economic consistent basis. The vector with expected cash flows will be an appropriately weighted average of the cash flow vectors of each of the scenarios. Please note that due to the asymmetry of the option embedded in a callable bond, where the exposure is material, it is expected the undertaking is able to capture in the vector of expected cash flows, the probabilities of being or not exercised the call under a sufficient range of scenarios developed according to economic consistent techniques.
176	EIOPA Stress Test Template		BS+ Assets(CF)	Should the cash flow of equities taken into account? If so, then what is the correct way to present the cash flow of equities?	As reflected in the headings of the columns of this template, its content focuses on assets providing predictable cash flows with a rather limited degree of variability. This is not the general case of equities (especially in the medium and long term), and therefore estimates of their cash flows should not be included in template BS+ Assets(CF), unless they are meaningfully modelled and estimated. Undertakings should be able to explain to the NSAs how the model works and the assumptions used.
160				As your assets related to UL-liabilities are largely investment funds, future asset cash-flows are not predictable on a stable best effort basis. Hence, we do not understand your answer to question 23 since in a such case we are not able to report expected asset cash-flows. As liabilities values are linked to assets values, we think that reporting liability cash-flows is not consistent for this business and would conduct to a misrepresentation if assets can not be added.	Liability cash flows of UL business are foreseen to be provided in columns T-W of the respective liability cash flow reporting sheets. Please note that the complexity around reporting those cash flows is understood, however, the cash flows for UL business are expected to be provided by all participants on a best efforts basis, for the asset and liability side.
		<b>Application - Core module</b>			
6	Specifications for EIOPA Stress Test 2014		2.1.2 Single-factor-insurance stress	Are the insurance stresses proposed to be used only in the EU or Worldwide?	The insurance stresses are to be applied to all business, i.e. worldwide.
17	EIOPA stress test 2014			The adverse 1 and adverse 2 scenarios for equity risk provide us with a shock on the MSCI Europe index. Does this imply that only the European stocks are in the scope of the shock and that non-MSCI listed stocks are not affected or does the shock imply that all equities (regardless of their location) are affected?	The MSCI Europe index is used for calibration purposes only. The shocks which were derived on the basis of this index should be applied on all equity exposures. (type 1 and type 2 equity).
18	EIOPA stress test 2014			The adverse 1 and adverse 2 scenarios for mortality risk provide us with a change in mortality rates. Does EIOPA imply that the changes are a permanent change or are the meant to indicate a 1 year shock only?	This is a one-off "instantaneous" shock and mortality assumptions would return to normal in the next year.
25	eiopa-14-216-st14-templates.xls		Risk Margin	Can we assume that the risk margin as well as the SCR remains unchanged post any shocks please?	Recalculation of the SCR and corresponding risk margin is optional for firms. However, any curve discounting may need to be considered which could affect the risk margin which the participating firm may wish to allow for.
26	eiopa-14-216-st14-templates.xls		Market Stresses	Can we assume no interaction between the market stress? Firm cannot run simultaneously. If this is not acceptable can EIOPA provide a correlation matrix instead?	EIOPA expects participating firms to run the market stresses simultaneously. EIOPA agreed not to provide a correlation matrix for the 2014 stress test exercise.
27	eiopa-14-216-st14-templates.xls		Core Stresses	Can we assume that the diversification benefit remains unchanged post any shocks please?	Recalculation of the SCR and thus corresponding diversification is optional for firms (i.e. only in those cases in which the SCR is recalculated after the stresses the diversification could change after the stresses).
28				According to the ESRB/EIOPA note on market scenario, "the shocks to government and corporate bond spreads apply to all maturities". On the other hand, Table 1 in stress test specification expresses these shocks in terms of 2Y German bond. The second formulation is confusing. Could you confirm that the same shocks must apply to all maturities?	Yes, we confirm that the stresses given (though derived from 2y bond data) are to be applied to all maturities.
30				The equity stresses for the core module is defined as a stress on the MSCI Europe index. Could you give more guidance to apply equity stresses on others indices?	Please also see Q17
33				Regarding to core-module and satellite-module, could you confirm that transitional on technical provisions, equity and own fund remain constant on the post stress situation?	Yes, we confirm that transitionals remain unchanged post stress.
40	Specifications for the EIOPA Stress Test 2014		2.1.1 (11)	The 2 adverse scenarios, according to the stress test specifications, include a spread stress. Please specify if these stresses apply to term deposits as well or if this is just for corporate bonds. If it applies to deposits as well, please specify if the stress parameter for covered or uncovered bonds applies to deposits and if the minimum duration of 1 year (which is assumed under the spread risk SCR) applies here as well.	For valuation of assets after the shocks proposed in the core module, spread stresses refer only to Government and corporate bonds, but do not apply to deposits.
48	EIOPA Stress Test 2014			Equity stress is specified for MSCI Europe. How the non-European equities are stressed?	Please also see Q17.
52	Stress Test Specifications			Definition of liabilities in liability inflation stresses -please can you confirm whether this stress is in relation to liabilities lines (SII LoBs 4 and 8 and associated prop and non prop equivalent) or all liabilities (All SII LoBs).	The non-life insurance stresses should be applied to all the non-life lines of business, i.e all obligations of liability as defined (in paragraphs TP.1.15-17 and TP.1.27?) in the technical specifications. This includes the non-SLT health lines of business (medical expenses, income protection, and workers compensation).



ID	Document	Topic	No. Para	Question	Answer
59			2.1.1	<p>For both adverse scenarios we used the shocks specified in the "eiopa-14-215_stress_test_2014_specifications.pdf".</p> <p>In general we used the following notation:</p> <p>a) Government Bonds Yield Change = Interest Rates Stresses + Sovereign Bond Stresses</p> <p>Example: (Adverse 1) Assume a Cyprus Government Bond with 2 years to maturity and current yield 6.00%</p> <p style="padding-left: 40px;">Yield Change = -0.56% + 2.00%</p> <p style="padding-left: 40px;">Yield after shock = 7.44%</p> <p>b) Corporate Bonds Yield Change = Interest Rates Stresses + Corporate Bond Stresses</p> <p>Example: (Adverse 1) Assume a Cyprus Financial Corporate Bond with 3 year to maturity, BBB rating and currently trading at 8.00% yield.</p> <p style="padding-left: 40px;">Yield Change = -0.67% + 3.16%</p> <p style="padding-left: 40px;">Yield after shock = 10.49%</p> <p>We are wondering if this is the correct method to use.</p>	<p>For the core module of the stress test, a 'double hit' approach needs to be applied i.e.:</p> <ul style="list-style-type: none"> <li>• (1) When applying the spread shock for Core Adverse 1, the shock should be added (as a delta shock) to the total yield as observed @ 31/12/2013. In your first example 6% + 2% = 8%. In your second example, 8% + 3.16% = 11.16%.</li> <li>• (2) When applying the interest rate shock for Core Adverse 1 after the spread shock, one should assume the total yield to stay constant while decreasing the basic risk free curve (notice that this increases the spread). In your first example: 8% remains unchanged but the basic risk free curve is lowered by 0.56% and the spread is increased with the same amount. In your second example, 11.16% remains unchanged but the basic risk free curve is lowered by 0.67% and the spread is increased with the same amount.</li> </ul> <p>The methodology for the Core Adverse stresses has been designed in this way in order to ensure that all government bonds are stressed including German Bund. It should be noted that the recalculated Volatility Adjustment figures take this methodology into account.</p> <p>Please also note that the approach taken for the low yield module is different: the low yield shocks do lower the total yield (spread is not assumed to change).</p> <p>Finally, the "Note_on_market_adverse_scenarios_for_the_core_module_in_the_2014_EIOPA_stress_test[1].pdf" as published on EIOPA's website as a background document could be misleading as bond spread stresses over swap rates are provided (for a 2 year maturity). In cases of doubt or inconsistencies, EIOPA's Technical Specifications should give the guidance.</p>
63				Could you please indicate if symmetric adjustment on equity should be reassessed in post shock situation?	The symmetric equity adjustment (or equity dampener) changes post stress. Please assume an adjustment of -10% in the case of the equity market stress of 41% (Adverse 1) and -5% in the case of the equity market stress of 21% (Adverse 2).
64				Could you confirm that the recalculation of the Risk Margin after shock is optional (for all stress tests of core module and low yield module)?	We confirm that the recalculation of the Risk Margin after shock is optional for all stresses.
65				<p>In Table 1 of the "EIOPA Stress Test 2014" document, the stress test parameter for sovereign bond is 38 bps in Core module Adverse 2 for France. Can you confirm that this stress should be added to 42 bps (2-year German bund) for every maturity?</p> <p>For example, is it correct that the rate for 5 years France sovereign bond is 1,99% after shock (1,19% + 0,42% + 0,38%)? What is the rate before stress then?</p>	<p>Also see Q59. For the specific example, the shock is calculated as follows:</p> <ul style="list-style-type: none"> <li>• When applying the spread shock for Core Adverse 2, the shock should be added (as a delta shock) to the total yield as observed @ 31/12/2013. In your example (X being the pre stress yield of a 5 yr FR government bond), X% + 0.38%.</li> <li>• When applying the interest rate shock for Core Adverse 2 after the spread shock, one should assume the total yield to stay constant while decreasing the basic risk free curve (notice that this increases the spread). In your example: X% + 0.38% remains unchanged but the basic risk free curve is lowered by 0.09% (IR shock for 5 years maturity) and the spread is increased with the same amount.</li> </ul>
66				<p>In Table 1 of the "EIOPA Stress Test 2014" document, the stress test parameter for corporate bond is 24 bps in scenario Adverse 1 for Financials AAA.</p> <p>Our understanding is that this shock should be added to 56 bps (2-year German bund) for every maturity.</p> <p>For example, is it correct that the rate for 10 years AAA Financial bond is 2,07% after shock (1,28% + 0,56% + 0,24%)? What is the rate before stress then?</p>	<p>Also see Q59. For the specific example, the shock is calculated as follows:</p> <ul style="list-style-type: none"> <li>• When applying the spread shock for Core Adverse 1, the shock should be added (as a delta shock) to the total yield as observed @ 31/12/2013. In your example (Y being the pre stress yield of a 10 yr AAA financial bond), Y% + 0.24%.</li> <li>• When applying the interest rate shock for Core Adverse 1 after the spread shock, one should assume the total yield to stay constant while decreasing the basic risk free curve (notice that this increases the spread). In your example: Y% + 0.24% remains unchanged but the basic risk free curve is lowered by 0.91% (IR shock for 10 years maturity) and the spread is increased with the same amount.</li> </ul>
68				Could you please indicate if the equity stresses (equity stress - adverse 1 = -41% and equity stress - adverse 2 = -21%) in Core module A are also applied on strategic participations?	We confirm that equity stresses also apply to strategic participations
72	Specifications for the EIOPA Stress Test 2014		65	This states that SCR does not need to be recalculation post-stress, however the Excel tool to assist with producing curves does provide post-ECR-stress curves in "stress 1" and "stress 2". Can we confirm that no SCR recalculation post-stress is required.	We confirm that no SCR recalculation post-stress is required, but it is optional.
73	Specifications for the EIOPA Stress Test 2014		Excel tool	The Excel tool to assist with producing curves suggests that, in "stress 1" and "stress 2", German gilt rates are the same as in "baseline" despite the fact that the risk-free rate has moved. Can we confirm that German gilt rates should remain equal to risk-free rates in both stresses?	We confirm the German gilt rates remain unchanged post the Adverse 1 and Adverse 2 stresses. However, the risk free rate changes and thus a spread is created implicitly for German government bonds post stress. Please also see Q59 for clarifications on the general approach to determining post stress government yields.
75	Specifications for the EIOPA Stress Test 2014		pg 6-11 Market Stress Scenarios	Which of the stresses (if any) in para 23, Table 1 should be applied to securitised assets in the two Market Stress Scenarios?	Securitized assets shall be treated using the shocks for the 'Financial corporate bonds' in table 1 of technical specifications.
69				Could you give us the cost of the single factor insurance stresses (especially the windstorm scenario in Northern Europe) for each national market? We need this information to compute properly the effect of stress scenarios.	The aggregate value of the windstorm event is EUR 15bn. A revised windstorm scenario will be provided clarifying the relevant countries to model. As an example an event more extreme than "Windstorm Daria" is foreseen to achieve the aggregate value required.
74	Specifications for the EIOPA Stress Test 2014		Annex 3	The contents of this annex (stressed longevity table) does not appear to match the signposting of what should be there (detail on non-life catastrophes). Can we clarify what the purpose of Annex 3 is?	The annex was for illustrative purposes only.
84	Technical Specifications		80, 81	Core module single factor insurance stress: Which year of birth should be the basis for calculating an increase of life expectancy of 10% or 18% at ages 65 and 75?	See Annex 3 (provided for illustrative purposes) assumes that the stress should start form 50 years old. Therefore the suggested year of birth is 1964 for calculating an increase of life expectancy for this stress.
87	Technical Specifications			Core module stress 1 and 2: Do the spread stresses generate a parallel shift of the observable (31.12.2013) sector and rating specific spread curves, which are in line with maturity, or should we assume that post-stress spreads are independent of maturity compared to swaps.	<p>The yield after stresses for government bonds shall be the sum of the yield in the baseline scenario (before stress) plus the specified shock for each Member (the one referred on page 10 of Stress Test Technical Specifications). This shock applies to all maturities</p> <p>In other words, the yield curve for government bonds after stress is the result of a parallel shift of the yield curve before the stress.</p> <p>The same applies to corporate bonds. In particular, the relevant stress for a certain type of corporate bond and credit quality (as set out in page 9 of Stress Test Technical Specifications), applies to all maturities of bonds belonging to the same type of bond and credit quality (i.e. increasing the yield before stress of each maturity).</p>

ID	Document	Topic	No. Para	Question	Answer
97	Specifications for the EIOPA Stress Test 2014		73	Undertaking Specific Cat Event: does the 1/100 and 1/200 firm specific event have to be determined on a gross (before reinsurance) or net (after reinsurance) basis?	For the specific extreme event for the 1/100 and 1/200 return period the event should be reported on a gross (before reinsurance) and net (after reinsurance) basis for the stress test. In order to determine the event, a net view is the preferred approach.
98	Specifications for the EIOPA Stress Test 2014		78	Provision deficiency test: does the 1% or 3% p.a. claim inflation have to be applied only on the claim itself or, also, on all other claim related costs? What about the premiums in case of premium provisions?	For the provision deficiency test the claims inflation should be applied to all aspects affecting the claims value, i.e. the actual claim reserves and all associated claims costs and including premium provisions as per the template.
85	Technical Specifications		7.2.5, 7.2.6	Core module single factor insurance stress: Does the longevity stress (resp. mortality stress) refer only to endowment insurance (resp. assurance payable at death) in analogy to the SII standard formula?	For the single factor insurance stress, the longevity stress should be used for "deferred" and "already in payment" annuities and (pensions) savings contracts with GAR options. The SII standard formula requirement is to apply the mortality stress only to insurance policies where an increase in mortality rates results in an increase in the best estimate liability. Similarly, the longevity stress is only applied to insurance policies where a decrease in mortality rates results in an increase in the best estimate liability. Thus, the same requirement should be used for the 2014 EIOPA stress test.
111	Stress Test Exercise Templates		Reinsurance - "Tab SFIS"	What does the reinsurance bad debt refer to – reinsurance recoveries multiplied by probability of default based on credit rating or reinsurers? Or something else?	Yes, reinsurance recoveries multiplied by probability of default, based on credit rating of reinsurer, is the correct assumption to calculate the reinsurance bad debt value.
119	eiopa-14-216-st14-templates.xls		Provisions Deficiency	Yield Curves: Can you confirm that the yield curves we should be using to discount all claims and premium provisions are from the Main RFR tab, in the Balance column with no volatility adjustment for the Baseline scenario? Can we assume that these curves are the same for countries in the Euro and therefore use the same curve for all Euro business?	The outcomes of the SFIS stresses will be compared to the pre-stress situation (baseline scenario) as documented in the tabs "BS" and "BS+". Therefore, the discounting approach (e.g. including or excluding VA) applied for the non-life provisions deficiency stress should be aligned with the approach taken in the baseline scenario. This also means that curves across EURO countries can differ if a national add-on to the Volatility Adjustment is applicable for the baseline scenario (e.g. for Italy).
129	Specifications for the EIOPA Stress Test 2014		23	Eiopa's answer to Q&A 59 specifies that when applying the interest rate shock for Core Adverse 1 after spread shock, one should assume the total yield to stay constant while decreasing the basic risk free curve. Based on information provided in the excel spreadsheet eiopa-14-217-stress test 2014 annex d.1, considering Italian government bonds the stress market adverse 1 scenario is equal to 251 calibrated on swap rates and 195 on bund and the difference is equal to 56 basis points equivalent to the 2 years maturity interest rates Adverse 1 stress. If we consider the 10 year maturity, the two stress market adverse 1 scenarios are not equivalent: if we calculate the netting between stress calibrated on swap curve (251 basis points) and interest rates adverse 1 stress (-91 basis points) we obtain 160 basis points stress different then 195 calibrated on bund. Could you confirm that for Italian undertakings, applying a spread stress adverse 1 of 251 basis points for all maturities it will be possible to apply also the interest rates stress adverse 1 reported on page 9 of the Stress Test technical specification document?	1. The Sovereign spreads shock which needs to be applied on the rates as observed 31/12/2013 are those which can be found in the stress test specifications Table 1 (P. 10 of the document). These shocks were calibrated on the basis of the 2YR German Bund, but should be applied to all maturities. In the case of IT, this shock equals 195 bp in the adverse 1 scenario. 2. When applying the interest rate risk shock, one indeed needs to assume that the total yield stays constant which, in its turn, also increases the spread. The amount by which the spread increases depends, in this case, on the magnitude of the interest rate risk shock which differs for each maturity (i.e. interest rate shocks are defined per maturity). For instance, for the 2 YR maturity this equals 56 bp, but for the 3 YR maturity this equals 67 bp in the adverse 1 scenario. 3. The overall shock of 251 bp (195 bp as explained in 2 + 56 bp as explained in 3) is only correct for the 2 YR maturity IT sovereign bond.
131	Specifications for the EIOPA Stress Test 2014		23	In the non life provisions deficiency stress, it is not clear how to apply the claims inflation stress; the example reported in the stress test technical specification document specifies that the claims cost will rise by 2% p.a. for the inflation impact to add an additional 1% for the post stress calculation. For the first year this means that the total impact of post stress is equal to 3% (2% +1%); how this calculation will apply for the following years? Is it correct to consider for the second year an inflation shock of 2% (1% first year +1% second year) to be added to the expected inflation for the post stress calculations?	This stress test is seeking to understand the extent to which additional claims inflation in relation to liability business might impact firms, by assuming that all future liability claims payments are subject to inflation that is 2% per annum higher than has been assumed in their best estimate reserving calculation. This additional claims inflation might arise from rising medical costs or changes in Court awards for liability claims. For the longest tailed liability classes this will lead to a significant increase in the assessed value of the unpaid claims reserves and we will review the potential realism of this scenario in light of the returns that we receive. This reflects actual past experience in markets where reinsurance protection did not respond to a surge in claims inflation. We would ask firms to use this, more prudent, assumption in preparing their responses to the stress test exercise but they may, in addition, provide figures based upon the actual reinsurance protections that they do have in place and reflecting the additional counterparty credit risk that would arise.
142				Where can we find the more detailed description of the northern European windstorm event as specified/promised in Question 69 of the Q&A process?	The storm began as a cold front over the Northern Atlantic Ocean on 23 January. By the 24th, it had a minimum central pressure of 992 mbar. It made landfall on the morning of the 25th over Ireland, where 17 died, including 8 on a bus which was struck by a falling tree. It then tracked over to Ayrshire in Scotland. The lowest pressure of 949 mbar was recorded near Edinburgh around 16:00. After hitting the United Kingdom, the storm tracked rapidly east towards Denmark, causing major damage and 30 deaths in the Netherlands and Belgium. The strongest sustained winds recorded were between 70 and 75 mph (110–120 km/h), comparable to a weak Category 1 hurricane. Strong gusts of up to 104 mph (170 km/h) were reported, and it was these which caused the most extensive damage. For firms to replicate the event to the value of EUR 15bn, the windstorms will need to be more extreme than the specification below: Aliases: Daria / Burns' Day storm Damage: 8.2bn Countries affected: Belgium, France, Germany, Netherlands and United Kingdom Storm duration: 21:00 23 January - 12:00 29 January 1990 Maximum 925 hPa wind speed over land from ERA Interim re-analysis (Umax): 37.92ms-1 Date Umax: 25 January 1990 Sft (rank of storm): 48.05e06 (6) N: 881 Maximum relative vorticity at 850hPa from ERA-Interim reanalysis ( $\zeta$ max): 1.19e-04s-1 Date of $\zeta$ max: 15:00 25 January 1990 Location of $\zeta$ max: (0.5E, 54.4N) Minimum mean sea level pressure from ERA-Interim reanalysis: 948.6hPa Date of min MSLP: 21:00 25 January 1990 Location of min MSLP: (2.1E, 57.2N)
152				We would like to ask for some clarification on one point as well. Could you please explain, how exposures to the European Central Bank and other international organisations listed in the Technical Specifications for the Preparatory Phase paragraph SCR.5.101. should be treated for the core stress test purposes? Should they be treated like sovereign bonds or corporate bonds? If the treatment is in the same way like in the SCR calculation (i.e. alike sovereign bonds), what stresses should be applied?	Such exposures should be treated as German sovereign bonds for the purposes of the core module of the stress test; Participants should inform NCAs when such exposures are material.

ID	Document	Topic	No. Para	Question	Answer
153	eiopa-14-215_stress_test_2014_specifications.pdf& Q&A question number 59		2.1.1.	Can you please elaborate on your explanation that when applying interest rate shock after spread shock, total yield of the bonds stay constant. That would mean that interest rate shock applied after spread shock has no effect on total yield. The Adverse scenarios (double hit) consider only that the spread goes up and yield of the bonds stay constant. We don't see any point in interest rates stress that does not change the yield of the bonds. Can you also elaborate on your explanation what is meant by "... the spread is increased with the same amount"?	Please also see our answers to questions 59 and 129. Your assumption is correct: in the core stress test module, the total yield of a bond does not change i.e. the effect of the decrease of the risk free curve is compensated by an increase (of the same amount) of the spread. This approach was chosen to create the so-called 'double hit'-scenario (i.e. by assuming Germany is not moving down with the risk free rate). Notice however, that this approach is not applied for the low yield module i.e. in this case, the total yield decreases in case of an interest rate shock (and the spread does not change). Both methods have their own specific merits.
161				Could you please indicate how bonds with government guarantees (i.e. KfW) and supranational bonds (i.e. BEI) have to be treated in Core module A? Indeed, we understand in question 70 that public sector bonds should be reported as government bonds but we would like you confirm that the stress is applied similarly.	Bonds with government guarantees should be treated as sovereign bonds in the core module. In addition to Q.70, see also answers to Questions 121, 122 and 152 regarding supranational bonds. Participants should inform NCAs when any of such exposures is material.
171	Stress Test template		BS: C40/C41	Consider a fund that holds 70% equity and 30% debt. Is it necessary to split this according to the percentage or is this considered as an equity fund?	Applying look through according to the best effort principle would indeed imply performing a split of 70% equity and 30% bonds whenever these percentages are known. In case this is not possible, the whole fund should indeed be considered as an 'equity component' in scope of the stress test.
137	EIOPA Stress TEST 2014 doc		7.2.1 Undertaking specific natural or man-made event stress 74. Participants shall calculate the largest probable maximum loss (PML) for their non-life exposures of a single catastrophic event (e.g. flood, windstorm, earthquake, explosion etc.) and on a: (i) 1-in-200 year basis; and (ii) 1-in-200 year basis; 75. Participants shall describe the event, so that an overall concentration of exposures can be identified as part of the stress test exercise."	For my clarification can I check are EIOPA asking for (1) the clients actual 1 in 200 and 100 year loss itself to be used, or (2) an example of a single event that has a loss at around the loss threshold of the client's 1 in 200 and 100 year loss, to be used Question 1: Which should be used ? To simplify this let's say we are looking at a client who uses RMS Within RMS' current methodology the occurrence exceedance probability curve (rdm_portep) is calculated from the ELT (rdm_port), the Beta Distribution is used to apply the uncertainty element around the event mean when deriving the probably of an event exceeding a set threshold (say the 1 in 100, 1%). Therefore the threshold is exceeded by a number of events (with mean losses both above and below the set loss level). Question 2: Should (1) be the required metric, the figure can be extracted from the clients return period loss table with ease, however it would not be as clear on how best to proceed with the following: a. describe the event, because a single event has not been identified b. the request for an overall concentration of exposures, I am not sure what exactly this is asking for in this context, because a single event has not been identified, how should these be answered ? Question 3: Should (2) be the required metric the simplest way would be to identify the loss level at the 1 in 100 or 1 in 200 year return period then work up the Event Loss Table until an event with a mean loss (ignoring any uncertainty around this value) of this value is identified and report this event, this is what we intend to advise unless instructed otherwise. However, this event could be one of many that satisfy the loss value criteria. Can I ask is this suitable or is something more sophisticated required and is there any guidance on how to decide which event to select if there is a choice?	Q1: For the nat cat stress test, firms should calculate the PML for their actual largest occurrence loss based on their portfolio exposures. Q2: Please use a single event that is around the loss threshold of exposures for the 1 in 100 and the 1 in 200 losses and provide a very brief description of the type of event, (i.e. windstorm, flood, fire etc), using for example information from the vendor model underlying event set files ie derived via the parent/child/other file references. Q3: Yes for Q2, we require the metric used to identify the required return periods from the Event Loss Table for the relevant mean losses.
151	Stress Test Specifications		80, 81	Could you please clarify how the longevity stress should be applied? Is it that in the first scenario we have to uplift life expectation by 10% for persons who have reached the age of 65 and for those persons older than 65 the expectations of life should be increased by less than 10%? If so, what assumptions should be made for lowering the probabilities? Analogously, is it that under the second scenario expectations of life increases by 18% by the age 75 and later the uplift decreases like in the first scenario?	The longevity stress should be applied to the best estimate mortality assumptions that would result in an uplift to the best estimate expectations of life of 10% and 18%. Where the best estimate mortality assumptions comprise a base mortality table and explicit allowances for future mortality improvements the calibration should be achieved by increasing the allowance for future mortality improvements, making changes to the base table only if necessary to achieve the calibration. Where best estimate mortality assumptions make implicit allowance for future mortality improvements adjustments to reflect the stress scenario will need to be made to this table. In either case an iterative approach will probably be required to achieve the calibration. This stress takes into account the future developments of individual mortality rates and introduces a stress on the best estimate mortality the firm will assume, expressed as a percentage reduction in mortality rates (to be applied in addition to best estimate improvements). Groups should calculate the impact of a reduction in mortality rates. Based on the average compound improvements in mortality developments between 1965–2013, undertakings should apply the % reduction in mortality rates across all ages for both males and females. The impact is to be calculated net of tax. It is assumed that no reinsurance recovery is possible in respect of the additional reserving requirements.
159				A. In sheet SFIS part IV, the formula in cell E217 returns necessary positive results. This implies that an overall positive effect on basic own fund for the longevity stress can't be reported. Please could you confirm this is correct? B. Does it imply that the stress is only applicable to insurance policies for which an increase of life expectancy leads to an increase in technical provisions, similarly to the scope of longevity risk capital charge ?	A. Confirmed. B: The stress applies where there is an increase of life expectancy increasing technical provisions. The impact is to be calculated net of tax. It is assumed that no reinsurance recovery is possible in respect of the additional reserving requirements.
167	SCR, NatCat			Do we have to use the current market value or the replacement value of the cars (casco/hull insurance) in the natcat module?	For the value of cars in your PML stress please use the most applicable value for the 1 in 100 and/or the 1 in 200 man-made stresses to achieve the necessary return period.
168	SCR, CAT, man made scenario, fire			Is our understanding correct that it is necessary to include the building content to determine the largest fire risk concentration with respect to a fire loss of profit insurance? (man-made scenario)	For the value of the fire in your PML stress the building content should be included in your largest fire risk if it is necessary to achieve the envisaged 1 in 100 and the 1 in 200 loss level to be stress tested.
179				Could you give us the cost of the single factor insurance stresses (especially the windstorm scenario in Northern Europe) for each national market? We need this information to compute properly the effect of stress scenarios.	The aggregate cost is EUR 15bn. The expected storm for modelling purposes is a more extreme version of windstorm Daria, following a similar track through Northern Europe, to achieve the aggregate value required for the stress test. See also answer to question 142.
194	Deferred taxes	template		After the market shocks we expect an increase in DTA. Is there any constraints to limit this increase?	There are no additional constraints envisaged regarding the deferred taxes assets for the purpose of the stress test apart from those included in the technical specifications for the preparatory phase part I (30 April 2014), which apply fully to this point. In particular: • For valuation paragraph V.11 says that insurance and reinsurance undertakings shall only ascribe a positive value to deferred tax assets where it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry forward of unused tax losses or the carry forward of unused tax credits. • For the calculation of the adjustment for the loss-absorbing capacity of deferred taxes, the paragraph SCR 2.18 states that where the calculation of the adjustment results in a positive change of deferred taxes, the adjustment shall be nil.

ID	Document	Topic	No. Para	Question	Answer
204				Can you clarify the question regarding the largest probable maximum loss under a 1-in-200 year basis and under a 1-in-100 year basis for a natural catastrophe or man-made event stress? We would expect here "the expected loss" instead of "the largest probable maximum loss". The combination between a maximum loss and a probability doesn't seem logic.	For the natural catastrophe or man-made stress event, firms should calculate their actual largest occurrence loss based on their portfolio exposures for expected 1 in 100 and 1 in 200 losses. Please also provide a brief description of the type of event, (i.e. windstorm, flood, fire etc.) used for this stress.
207	EIOPA stress test specification			How should the corporate bond spread stresses be applied, given there is a spread stress to sovereign bonds i.e. are the corporate bond stresses in addition to the sovereign bond stress (e.g. in Adverse 1 scenario, should the stress to AA non-financials be 8bps + 36bps (UK sovereign stress) or just 8bps?) If it is just 8bps, what is the rationale for the sovereign stress being so large relative to the corporate bond stresses in the same currency?	Sovereign and corporate bonds spread shocks are mutually exclusive, either one or the other is applied, but not both to the same bond. Sovereign bonds are to be shocked using the sovereign spread shocks. Details on the calibration of scenarios adverse 1 and 2 are provided from paragraphs 14 onwards of the specifications. In particular for scenario Adverse 1, for which the equity market is assumed to be the source of distress and this exerts for some countries more significant spill over effects to government bond markets than for corporate. Additionally part of the difference could stem from the fact that the spread shocks for corporate bonds take into account credit rating and sector, regardless of the currency, unlike the calibration of the shocks for Sovereign bonds or swaps rates.
208	eiopa-14-216-st14-templates.xls		S.02.01	Is our assumption that the 'statutory accounts value' equates to the 'IFRS' value correct?	statutory accounts value' stands for local GAP. In many instances 'statutory accounts value' equates IFRS, in particular for listed groups, but not necessarily.
209	EIOPA stress test specification		pages 9, 10	is it EIOPA's intention to stress EU aggregate markets only, and therefore no stresses should be applied to outside of the EU aggregate market unless otherwise specified in the tech specs?	For Equity, corporate bonds and property the shocks are to be applied to the worldwide exposures, i.e. not only EU exposures. In the case of the sovereign bonds, shocks are to be applied only to those bonds listed in table 1. In the case of the interest rate shocks only EEA, Japan, US and Swiss curves are to be stressed. This also holds for the low yield module. See also answer to Q17.
210	eiopa-14-217-stress_test_2014_annex_dc1.xlsx			the discount curves provided by EIOPA for Asian currencies such as SGD are the same in the base as stress. Does this imply there is no stress to discount rates?	See answer to Q209. The interpretation is correct only EEA, Japan, USA and Swiss curves are stressed.
211	EIOPA stress test specification			Clarification/confirmation required: in Market 1 scenario, the total increase on corporate bond spreads and government bond spreads is as follows: Corporate bond A rated 7 years duration : 14 + 77.4 = 91.4bps Government bond 7 years duration : 36 + 77.4 = 113.4bps	Please see answers to Q59, Q65 and Q66. The calculation of the total spread in your two examples seem to be correct for the maturities selected and with the assumptions explained below. As stated when answering the questions mentioned above it is worth's to remind that for the core stress test the lowering of basic risk free curve (i.e. 77.4 bps in your examples) also implies an increase of total spreads. In your first example, assuming it refers to a non-financial Corporate bond denominated in BP the spread shock is: 14 bps. For the interest rate shock you should consider the 77.4bps lowering in the basic risk free rate at maturity 7. In your second example assuming it refers to a UK Sovereign bond the spread shock is: 36 bps. For the interest rate shock you should consider the 77.4bps lowering in the basic risk free rate at maturity 7.
<b>Risk Free curves</b>					
9	(1) eiopa-14-217-stress_test_2014_annex_dc1.xlsx (2) eiopa-14-215-stress_test_2014_specifications.pdf		23 Table 1 in the Specification; Tab Main_RFR in the spreadsheet	In 'eiopa-14-215_stress_test_2014_specifications.pdf', Paragraph 23, Table 1, the stresses are shown. In the spreadsheet 'eiopa-14-217-stress_test_2014_annex_dc1.xlsx' the needed shocks are shown. If in Tab Main_RFR, The Netherlands is selected, then we expect that the differences between the curve with no VA baseline and the curve with no VA Stress 1 agree with the shocks on in para 23 Table 1 in the Specification. However, this is not the case. Please could you explain how this should be understood.	The stresses for the euro of Table 1 in the pdf file 'eiopa-14-215_stress_test_2014_specifications.pdf' apply to the observed par swap interest rate term structure (unadjusted). The risk-free interest rates term structures in excel file 'eiopa-14-217-stress_test_2014_annex_dc1.xlsx' are a zero coupon curves credit risk adjusted. The comparison you refer to, delivers differences 'consistent' with the stresses of the aforementioned Table 1, but not exactly the same figures.
15	EIOPA stress test 2014			Would it be possible to provide us (the industry) with a table similar to the one provided to us on page 9 with respect to the low yield scenarios? The current scenario is only provided by in the spreadsheet but that is difficult to process.	The spreadsheet containing the yield curves as provided by EIOPA includes hidden sheets containing this data. Those sheets can be unhidden by participants. For the low yield scenarios the relevant sheet names start with "LY1" for low yield scenario 1 and "LY2" for low yield scenario 2.
16	EIOPA stress test 2014			The adverse 1 and adverse 2 scenarios for interest rate risk provide us with a shock on the swap curve. Does this also imply a similar shock on all other discount rates used by the insurer?	The shocks on swap rates as derived in the adverse 1 and adverse 2 scenario affect the basic risk free curves (as provided by EIOPA) and, as such, should influence both asset and liability values (the same principle as is applied in the interest rate risk module of the standard formula). In case the question relates to currencies where stresses have not been provided by the Stress Test Specifications, please assume that no stress is applied for those currencies.
19	Spreadsheet discount rates			Would it be possible to get the password for the discount rate spreadsheet in order to process the discount rates for maturities not provided by EIOPA?	This is not possible. However, if participants require certain maturities not provided by EIOPA, they should inform EIOPA about the missing maturities and EIOPA will try to provide them
42	eiopa-14-217-stress_test_2014_annex_dc1		Main_RFR	Which durations (within the first 20 years) are used as liquid points to determine the curve used?	This depends on the currency. This assessment has been based on the information currently available on depth, liquidity and transparency of trading for each maturity
50	eiopa-14-216-st14-templates.xls			The CRA assumption used in the derivation of the base curves does not appear to be included in Annex DC1	This is correct; In general, figures derived for ST purposes based on methodologies that can potentially vary as to meet the final S2 Delegated acts are provided as a working assumption but not explicitly disclosed in order to avoid parallel discussions. This is the case for the CRA as well as VA, since the methodology cannot be considered definite until the work on Delegated acts is finalised.
43	eiopa-14-217-stress_test_2014_annex_dc1		Main_RFR	Which CRA's are used in the different scenarios. We think it is -10 bp in the base scenario and 0 in all 4 stress scenarios. Is this correct?	For Core stress scenarios, the credit risk adjustment of the baseline is explicitly retained. For Low yield scenarios the credit risk adjustment is considered to be implicit in the selection of the curves described in the technical documentation
44	eiopa-14-217-stress_test_2014_annex_dc1		Main_RFR	Which Volatility adjustments are used in the scenarios? We think it is 22 bp in the base scenario, 99 bp in stress 1; 83 bp in stress 2 and 0 in the both low yield scenarios. Is this correct?	The VA results from the comparison of 1y term with and without VA. Regarding Low Yield stressed scenarios, the excel file will be completed adding the risk free curves with the VA (which for simplicity is understood to be the same of the baseline)
50	eiopa-14-216-st14-templates.xls			The CRA assumption used in the derivation of the base curves does not appear to be included in Annex DC1	This is correct; In general, figures derived for ST purposes based on methodologies that can potentially vary as to meet the final S2 Delegated acts are provided as a working assumption but not explicitly disclosed in order to avoid parallel discussions. This is the case for the CRA as well as VA, since the methodology cannot be considered definite until the work on Delegated acts is finalised.
61			Excel Table to support generation of risk free curves	A consistency question: we noticed that a 10bps credit spread adjustment is deducted in the base line curve, while this is not the case under stress 1 and 2. Also negative rates are not allowed after shock for the EURO, while for the USD, in year 1 negative rates are allowed in stress 2. For the latter we have the concern that this scenario is not realistic as no one will invest in negative rates. We tend to argue that negative rates should be floored to zero.	(a) The calculation of risk free rates curves in core stressed scenarios has taken into account the benchmark used for the calibration of the stresses (2 year non-adjusted euro swap rate). (b) Empirical evidence shows the possibility of negative rates in the short maturities of the interest rates term structures

ID	Document	Topic	No. Para	Question	Answer
67				In Table 1 of the "EIOPA Stress Test 2014" document, the stress test parameter for interest rate is -56 bps (maturity 2 years in Core module, scénario Adverse 1). In the spreadsheet 'eiopa-14-217-stress_test_2014_annex_dc1' for this same maturity, the IR is 0,44% in baseline scenario and 0,12% in scenario adverse 1 (for eurozone), so the shock seems to be -32 bps. Why are the 2 figures inconsistent ? What is the correct IR in scenario adverse 1 for 2 years maturity ?	Notice that, in general, the stresses are applied to the par swap rates. Afterwards, the zero coupon curve (i.e. the basic risk free curves) were calculated (see also question 9). On top of that, in order for the shape of the basic risk free curve for the euro to be plausible and realistic, the shock for the 2 YR maturity for the core stress 1 scenario was dampened.
71	Specifications for the EIOPA Stress Test 2014			The numbers in Table 1 appear to contradict the Excel tool to assist with producing curves. If "Germany" is selected on "Main_RFR" and the scenario is cycled between "baseline" and "stress 1" it can be seen that the rate at duration 2y moves from 0.44% to 0.12% (hence -32bps) by rather than -56bps suggested in the document	See question 67.
86	eiopa-14-216-st14-templates.xls			Low yield module: The given basic risk free curves do not make use of the Smith-Wilson-interpolation to reach the €-ultimate forward rate. Should we apply such an extrapolation for the valuation of our insurance obligations (technical provisions)?	The relevant risk-free interest rate term structures provided as part of Stress Test specifications, contain for all scenarios the interest rates to apply from 1 to 150 years term maturity. Therefore participants should not apply any extrapolation regarding such curves.
89	Specifications for the EIOPA Stress Test 2014		2.1.1 (23), Table 1	"In the Excel file "eiopa-14-217-stress_test_2014_annex_dc1" the spread of Brazilian government bonds, for example, appears to be zero (in particular: Adverse1/2 = "No stress"). Is it correct that only government spreads of countries listed in the document "eiopa-14-215_stress_test_2013_specifications" (page 10) have to be shocked and no proxy mapping have to be applied? In addition, we are not sure whether to shock all swap curves, or swap curve for countries listed in the appendix ""ANNEX DC1"" only. For instance, what kind of shock should be applied on the swap curves of countries in the Middle East (e.g. OMR, SAR, AED). "	EIOPA Stress Test 2014 only stresses the currencies of EEA, the Swiss franc, the Japanese Yen and the US dollar. For the rest of currencies no stress is prescribed. For comparability, undertakings should not apply their own stresses.
90	Specifications for the EIOPA Stress Test 2014		2.1.1 (23), Table 1	The specification table in the document "eiopa-14-215_stress_test_2013_specifications" (page 9) includes a footnote where it is stated that the participants shall use the stressed currency specific term structure provided in the complementary spread sheet "eiopa-14-217-stress_test_2014_annex_dc1". We could reproduce the values in the specification document for all maturities, except for the maturity of 2 year (Adverse 1). We obtained a shock size of 41 bp. Is it correct?	Please see answers to questions 61 and 67 .
112	Stress Test Exercise Templates		UKVolatility Balancer	I have been taking a look at the approach used to calculate the volatility balancer to the risk-free rate, focussing on the numbers provided for the current EIOPA insurance stress testing exercise. Looking ahead, insurers' working day timetables anticipate prompt delivery of discount rate inputs, and there is growing market interest from insurers who wish to be able to reproduce the underlying calculations (and potentially also investigate alternative scenarios). Given that it is calculated on a country specific reference portfolio, I wonder if it is possible to obtain more information about the reference portfolio that is being used, starting with the portfolio for the UK. Using the information available, we know: - The general composition of bonds1 – UK Government (30.5%) and other bonds (51.0%). - The duration of the bonds1 – 12.1 year and 8.9 years respectively. - The cost of default and cost of downgrade2 – Varies by bond rating, as shown in the spreadsheet attached. Is it possible to get more information on the following for the UK volatility balancer? - The mix of corporate bonds by credit rating. - The mix of other bonds by sector – Page 39 of Appendix 1 to the LTGA shows a weighting; however, it isn't clear if this is what is used. - The spread on each of the bonds used in the reference portfolio, or the underlying source data to see the provider if indices are used. - Confirmation that government bonds are not contributing to the volatility balancer in current market conditions, or details otherwise.	Please, refer to pages 17 to 23 of the following presentation available in EIOPA website: <a href="https://eiopa.europa.eu/fileadmin/tx_dam/files/activities/financial_stability/insurance_stress_test_2014/EIOPA_ST2014_Industry_workshop.presentation.pdf">https://eiopa.europa.eu/fileadmin/tx_dam/files/activities/financial_stability/insurance_stress_test_2014/EIOPA_ST2014_Industry_workshop.presentation.pdf</a>  Once the Level 2 Delegated Act of Directive 2009/138/EC is published, EIOPA will update the relevant inputs and methodologies used for Stress Test purposes. EIOPA intends to publish the final background with the technical information set out in Article 77e of Directive 2009/138/EC .
123	Stress Test Yield curve extrapolation			1. Is the assumption of LLP = 25 in Switzerland right? 2. Is the convergence T2 = 35 Switzerland right? reference rates do you use for the extrapolation? Which provider is used? 3. which	1. Yes, it is. 2. Yes, it is. 3. Swap Swiss Franc versus 6 months IBOR. Although for the only purposes of Stress Test Bloomberg PX_LAST rates have been used we explicitly state that EIOPA does not intend to rely on a single provider for final Solvency II.
108	Curve Tool		Tab: "BS" Cells: C233	Comparing the curves used for YE13 together with the VA provided in the updated templates, we have deduced that the CRA is 10bps (vs 35bps assumed in thr YE13 calibration). It seems low - Is this correct?	EIOPA has applied the last information available as of the date when Stress Test Specifications were finalized. This applies as well to the information on the methodology for the calculation of the credit risk adjustment. CRA applied for EIOPA Stress Test 2014 purposes does not pre-empt a further review for final Solvency II, should this be relevant at the light of the future publication of the Level 2 Delegated Act of Directive 2009/138/EC.
133	TS Preparatory Phase (Part II) – Determination of the Risk Free interest rate Term Structure		1.2	For deriving the risk free term structures swap rates are used. Are these swap rates based on "bid price" of "mid price"?	The relevant risk free rates curves used in EIOPA Stress Test 2014 are based on mid rates (please see the question and answers on technical specifications for the preparatory phase, on this point).

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146	eiopa-14-217_stress_test_2014_annex_dc1.xls		SCR down shock	We note that the SCR down shock is no longer minimised at minus 100bp which we have used in former SCR calculations. Please confirm that this is intentional and we should use the curve provided by EIOPA to calculate SCR.	EIOPA has based Stress Test 2014 Technical Specifications on the last information available on Solvency II framework (in case of legal texts still on drafting phase, EIOPA has applied those basis existing at the moment Stress Test specifications were finalized). For the sole purposes of EIOPA Stress Test 2014, participants shall apply the curves provided in the relevant excel file (e.g. shocks downwards in the standard SCR of interest rates risk sub-module without applying the minimum 100 bp you mention). Please, note this approach does not pre-empt the final Solvency II criteria that will be set out in the Level 2 Delegated Act.
165	RFR			Which swap rates were used to derive the risk free interest rate for the Russian ruble?	For the sole purposes of Stress Test 2014, the calculation of Russian ruble risk free curve is based, as starting point, on Bloomberg curve RRSWM CMPN as of 31/12/2013. Please, note that for final Solvency II EIOPA does not intend to rely on a single market provider.
		<b>Other</b>			
29				A reference in stress test specifications is missing as the source is not found . Please correct this error.	This is correct. The missing reference is to 'Table 1' in the document. An updated version of the specification will be uploaded.
49	EIOPA/ESRB adverse financial market scenarios			In the small table about the equity risk there is the last column EU weighted. We cannot find any reference in the text to this column. What is the purpose of this column?	This is for information only.
49	EIOPA/ESRB adverse financial market scenarios			In the small table about the equity risk there is the last column EU weighted. We cannot find any reference in the text to this column. What is the purpose of this column?	This is for information only.
94	Stress Test Specifications		General	Standard Formula Risk Margin - We intend to apply for internal model approval and, as such, have calculated the risk margin using the internal model to calculate the reference undertaking SCRs. This has already been performed for year end 2013. Please can you indicate whether we are required to recalculate these reference undertaking SCRs and corresponding risk margins using the standard formula.	Indeed, calculations based on the standard formula are required for the situation before the stress, both for SCR as well as for the Risk Margin. Regarding the post stress situation the recalculation of SCR and Risk Margin are on voluntary basis only, however consistent approach should be adopted regarding the calculation of the SCR post stress and the Risk Margin post stress based both on the standard formula or both on the internal model.
104	Treatment of UCITS			How should UCITS be treated. The general rule is a "look-through" approach but often this information is not available or is available only sometime after the reporting date.	For this exercise, the look-through approach should be applied on a best efforts basis.
113	Excel table for the generation of risk free curves		Main_Corps	For a given currency, we note that there is only one set of probabilities of default and downgrade per rating. Is our assumption correct that we can use these probabilities for all assets we deem to qualify for the matching adjustment (e.g. infrastructure loans etc.) rather than simply for corporate bonds, or does EIOPA intend to extend the list across different asset classes.	For the sole purposes of Stress Test exercise and for the sake of simplicity, no differentiation according to the assets classes you mention has been introduced. Once the Level 2 Delegated Act of Directive 2009/138/EC is published, EIOPA will update the relevant inputs and methodologies used for Stress Test purposes (and hence it is possible a more granular approach in order to complete the credit quality with other appropriate drivers of the probability of default and cost of downgrade). EIOPA intends to publish the final background with the technical information set out in Article 77e of Directive 2009/138/EC.
158				We have questions regarding the page 10 of the technical specifications : What does EU mean and EU std mean ? How should we use those shocks compared to the shocks by country ?	The referred figures in table 10 are there to provide information on the average of sovereign shocks and a sense of its dispersion, but stress test participants are not expected to use them in their calculations.
88	Risk Free curves  eiopa-14-216-st14-templates	Risk Free curves	Tab Main_RFR in the spreadsheet  BS.CA1	In Croatian market the most of the traditional life insurance policies (premiums, benefits, reserves and investments accordingly) are linked to the EUR currency clause. 1. Should liabilities with currency clause be discounted with risk free curve for HRK (curve that appears when Croatia is selected)? 2. Our assumption is that the same applies for assets with currency clause. Is it correct for valuation purposes as well as for interest rate sub module for the purpose of determining the SCR through the Standard formula? 3. Under the assumption that Croatian government bonds with currency clause should be discounted with risk free curve for HRK, whether they should be reported in cell E63 of template "BS.CA1" which is pointed for bonds denominated in the currency of the country of issue? Or to the contrary the Croatian government bonds with currency clause should be reported in cells starting from E91 which is pointed for bonds denominated in other currency than the currency of the country of issue?	1. The answer is yes, i.e. in cases where the benefits guaranteed to the policy holders are valued in euro while the payments (including the evolutions of the exchange rate) are in kuna (HRK), the cash-flows used in the calculation of the BE should be in kuna and the curve to be used to discount those cash-flows must be the kuna curve. 2. The answer is 'no' for assets' valuation purposes. For that purposes, only if no market prices are available, the same curve can be used for the cases described (bonds valued in euro but paid in kuna). Of course, the valuation method will need to take into account the risk of the financial instrument – whether that is reflected in the discount curve or in a risk margin is not prescribed. Regarding SCR, if the Croatian currency has no pegging arrangement with the EUR, then for the interest rate SCR sub-module the shocks for the Croatian HRK should be used. These are provided in the risk-free rate tool eiopa-14-217-stress_test_2014_annex_dc1.xls developed for the purpose of the Stress Test. For the currency risk SCR sub-module, the 25% shock should be used without taking into account a reduction factor for currencies pegged to EUR. 3. The same answer as in (2.) applies to valuation of government bonds valued and denominated in euro but paid in Kuna. For the purposes of reporting, the Croatian government bonds denominated in Kuna with currency clause should be reported in cells E63 of sheets BS.CA1/2 for the purposes of the Stress test.