



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Guidance on Applications for Approval of Transitional Risk Free Interest Rates – 2018

1. Overview

1.1 “Solvency II Information Note 1 – Applications for approval of certain items specified in Article 308a of the Solvency II Directive”, “Solvency II Information Note 3 – Applications for approval of certain items specified in Article 308a of the Solvency II Directive” and “Solvency II Information Note 4 – Applications for approval of certain items specified in Article 308a of the Solvency II Directive – Undertaking Specific Parameters” have been replaced by the following:

- Guidance on Applications for Approval of Ancillary Own Funds;
- Guidance on Applications for Approval of Basic Own Funds & Capital Contributions;
- Guidance on Applications for Approval of the Matching Adjustment;
- Guidance on Applications for Approval of the Volatility Adjustment;
- Guidance on Applications for Approval of Transitional Risk Free Interest Rates;
- Guidance on Applications for Approval of Transitional Technical Provisions;
- Guidance on Applications for Approval of Undertaking Specific Parameters.

1.2 Regulation 99 of the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015) permits (re)insurance undertakings to apply a transitional adjustment to the relevant risk free interest rates, subject to prior approval by the Central Bank of Ireland (hereafter ‘Central Bank’).

2. Approvals Process for Applications

- 2.1 This document provides guidance in relation to the Central Bank's requirements for applying to use the transitional measure on risk-free interest rates outlined in Regulation 99. In order to ensure an efficient application process and avoid unnecessary delays in the review of those applications it is vital that undertakings submit applications which include all relevant information necessary for the assessment and decision by the Central Bank. The complete application should be submitted in electronic format to your usual supervisory contact.

- 2.2 As Solvency II was introduced on 1 January 2016, the Central Bank does not expect any new applications for the transitional measure on risk-free interest rates. However, it will consider applications on a case-by-case basis in exceptional circumstances.

3. Transitional Measure on Risk-Free Interest Rates

- 3.1 Regulation 99 requires that (re)insurance undertakings obtain prior approval from the Central Bank in order to apply a transitional measure on risk-free interest rates. Undertakings wishing to use the transitional measure on risk-free interest rates can submit applications to the Central Bank for assessment.
- 3.2 A checklist is provided below to assist in making an application. Failure to provide all of the necessary evidence will result in the application being deemed incomplete.

Appendix 1 - Transitional Measure on Risk Free Interest Rate Application Checklist

- Complete all sections of this checklist.
- Insert the relevant section or page number from your application in the column marked 'Applicant'.
- The application should contain the following:

	Applicant
1. Documentary evidence of Board approval of the application.	
2. Confirmation that the calculations and components are performed in accordance with the requirements of Regulation 99.	
3. An explanation of why the transitional measure is being used.	
4. For each currency, details of how the individual components of the adjustment as detailed in Regulation 99 (2)-(4) are calculated. Where the volatility adjustment is also being used, the calculations with and without the volatility adjustment are to be specified.	
5. Split by currency, the value of the admissible (re)insurance obligations calculated in accordance with the European Communities (Life Assurance) Framework Regulations, 1994 ("S.I. 360/1994").	
6. Split by currency, a quantification of the impact of not applying the transitional measure on the undertaking's financial position, including on the amount of: <ul style="list-style-type: none"> • technical provisions; • the Solvency Capital Requirement; • the Minimum Capital Requirement; • the Eligible Own Funds and the amounts of own funds eligible to cover the Minimum Capital Requirement and the Solvency Capital Requirement. 	
7. Split by currency, the value of the admissible (re)insurance obligations calculated in accordance with the Regulations, with and without the transitional measure on the risk-free interest rate.	

	Applicant
8. Where the value of the admissible (re)insurance obligations calculated in accordance with S.I. 360/1994 includes varying interest rates, details of those rates, the reasons for the alternative rates and details of the underlying risk groups.	
9. How, within the ORSA, the Risk Management function will perform the assessment on an on-going basis of compliance with the capital requirements with and without taking into account the transitional measure on the risk-free interest rates, required by Regulation 47(5).	
10. Details of the processes in place to ensure ineligible obligations as detailed in Regulation 99 (5) are excluded throughout the transitional period.	
11. Details of the underlying risk profile and methodology used to determine whether there has been a material change. This should be in accordance with Article 278 of Commission Delegated Regulation (EU) 2015/35.	
12. Details of how, on an on-going basis, the undertaking will monitor that they comply with the Solvency Capital Requirement without the application of the transitional measure.	

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