

S.22.03 –Information on the matching adjustment calculation

General comments:

This Annex contains additional instructions in relation to the templates included in Annex I of this Regulation. The first column of the next table identifies the items to be reported by identifying the columns and lines as showed in the template in Annex I.

This annex relates to annual submission of information for individual entities.

This template shall be reported by each matching portfolio approved by the supervisory authority.

	ITEM	INSTRUCTIONS
Z0010	Matching portfolio	Indicate the number which is attributed by the undertaking, corresponding to the unique number assigned to each matching portfolio. This number has to be consistent over time and shall be used to identify the matching portfolio number in other templates.

Information on: Overall calculation of the matching adjustment

C0010/R0010	Annual effective rate applied to the CF of the obligations	The annual effective rate, calculated as the single discount rate that, where applied to the cash flows of the portfolio of insurance or reinsurance obligations, results in a value that is equal to the value in accordance with Article 75 of the portfolio of assigned assets.
C0010/R0020	Annual effective rate of the best estimate	The annual effective rate, calculated as the single discount rate that, where applied to the cash flows of the portfolio of insurance or reinsurance obligations, results in a value that is equal to the value of the best estimate of the portfolio of insurance or reinsurance obligations where the time value of money is taken into account using the basic risk-free interest rate term structure.
C0010/R0030	Probability of default	Reduction embedded in the spread among the annual effective rates reported in rows R0010 and R0020. This reduction shall be express as a financial percentage (same format as for rows R0010 and R0020) the credit spread corresponding to the expected loss resulting from the default of the counterparty regarding the assets of the matching portfolio. This amount shall not include the increase reported in row R0050.
C0010/R0040	Cost of downgrade	Reduction applied to the spread among the annual effective rates reported in rows R0010 and R0020. This reduction shall be express as a financial percentage (same format as rows R0010 and R0020) the credit spread corresponding to the expected loss resulting from downgrading of the assets). This amount shall not include the increase reported in row R0050.
C0010/R0050	Increase of fundamental spread for sub investment grade assets	Increase of the fundamental spread for sub-investment grade assets expressed as a financial percentage (same format as rows R0010, R0020 and R0120). The increase of the probability of default for sub investment grade assets shall be considered in the de-risking of cash flows.
C0010/R0060	Matching adjustment to the risk free rate	Matching adjustment to the risk free rate for the reported portfolio.

Information on: SCR

C0010/R0070	Mortality risk stress for the purpose of the	Gross SCR for mortality risk set out in Article 77b (1-f) of Directive 2009/138/EC and Article 42 of Implementing
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	matching adjustment	measures for each matching portfolio.
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Information on: Portfolio

C0010/R0080	Market value of the assets of the portfolio	Solvency II value of the assets of the portfolio.
C0010/R0090	Market value of assets linked to inflation	Solvency II value of the assets with return linked to inflation (Article 77b (1) of Directive 2009/138/EC).
C0010/R0100	Best estimate linked to inflation	Amount of best estimate of cash flows of the insurance or reinsurance obligations that depend on inflation.
C0010/R0110	Market value assets where third party can change the cash flows	Value of the assets where third party can change the cash flows (Article 77b (1) of Directive 2009/138/EC).
C0010/R0120	Return on assets – portfolio assets	Identify the de-risked Internal Rate of Return (IRR) of the assets linked to any matching adjustment portfolio measured as the discount rate at which the present value of the cash outflows of an asset equals the present value of its de-risked cash inflows.
C0010/R0130	Market value of surrendered contracts	Value of the best estimate of the insurance and reinsurance obligations where the surrender rights have been exercised during the reporting period related to insurance and reinsurance obligations of each matching portfolio.
C0010/R0140	Number of surrender options exercised	Number of surrender options exercised during the reporting period related to insurance and reinsurance obligations of each matching portfolio.
C0010/R0150	Market value of assets applied	Realization value of the assets applied to pay surrenders related to insurance and reinsurance obligations of each matching portfolio. ‘Applied’ includes assets sold for the purpose or internally transferred to a different portfolio for cash for the purpose.
C0010/R0160	Surrender rights satisfied to policyholders	Value of the surrender rights satisfied to policyholders. This amount differs from row R0130 and R0150 where the surrender clause of the contract does not give the policyholder the right to receive the full amount in those rows.

Information on: Liabilities

C0010/R0170	Duration	Measure equivalent to Macaulay duration for liabilities considering all cash flows of insurance or reinsurance obligations arising from portfolios where the matching adjustment has been used.
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