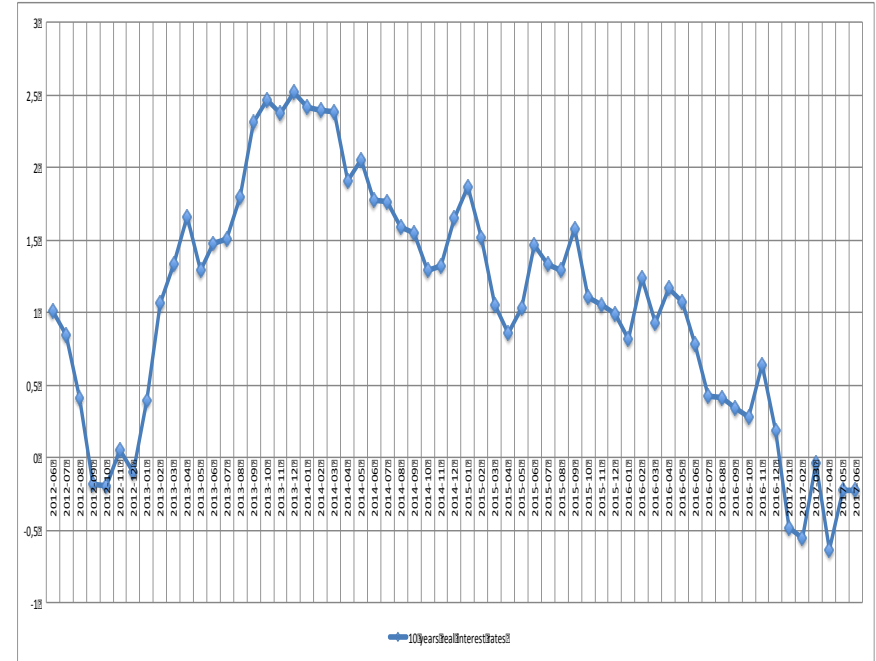
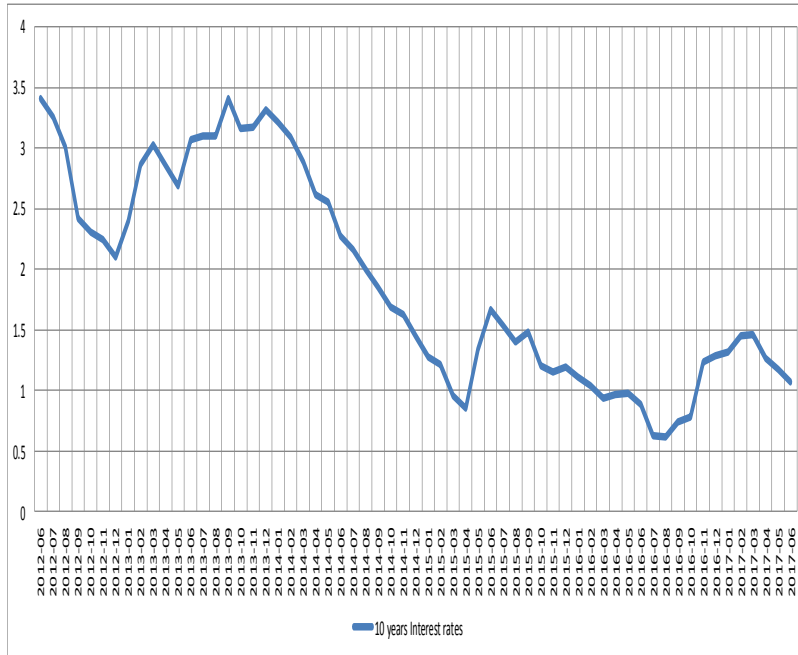


9.

Low Interest Rate environment

Initial discussion for an own initiative
position paper from the IRSG

The Eurozone has been living in a low interest rate environment for a number of years



- 10 years interest rates have fallen 220 basis points from 3,41 in September 2013 to 1,21 in July 2017, with a low at 0,61 in August 2016
- Real long term interest rates have dropped 274 basis points from 2,51 in December 2013 to -0,23 in June 2017 with an absolute low of -0,64 in April 2017
- Such low rates are creating significant challenges and risks for both insurance companies and their customers

Potential questions to investigate

Prudential (micro and macro)

- How big is the risk that customers will lose money due to insurers failing?
- Is there a systemic risk from many insurers failing?
- Could a rise in interest rates also create problems?

Customers

- What is the impact on insurance products – life and non-life?
- What is the impact on savings/pensions?
- How should customers be saving in low interest rate environment?

Impact on and of Solvency II

- Was SII framework designed/tested for such low interest rates?
- Does it make sense to use negative rates in a Solvency II context?
- Are the discount rates used by SII already too low or are changes (e.g. UFR) justified?

Next steps...

- Form a sub-group
- Agree scope and timing of the own initiative work
- Develop draft report within working group
- Discuss with full IRSG
- Finalise position paper