

# Bank of England PRA

## Review of Solvency II Effective Value Test deferment rate parameter – applicable from 31 March 2025

The parameters to be used in the Solvency II Effective Value Test (EVT), as set out in supervisory statement (SS) 3/17 – Solvency II: illiquid unrated assets<sup>1</sup>, have been reviewed and updated as set out below.

The parameters in this document apply from 31 March 2025. When conducting the EVT, all firms should use a deferment rate greater than or equal to the minimum rate published by the PRA, along with the volatility parameter set out below.

### Deferment Rate Parameter

The minimum deferment rate in policy statement (PS) 31/18 – Solvency II: Equity release mortgages,<sup>2</sup> as of December 2018 was 1% per annum, which was reduced to 0.5% per annum in September 2019 following a review of movements in long-term real interest rates, before being increased to 2.0%, 3.0% and 3.5% in September 2022, March 2023, and September 2024 respectively. For the review in March 2025, the PRA has again examined movements in long-term real interest rates, measured using a range of swaps-based data sources, at a range of long-term tenors from 10 to 30 years. The PRA's judgement, informed by this analysis, is to increase the minimum deferment rate used in the EVT to 4.0% per annum.

The PRA will keep the minimum deferment rate under review.

### Volatility Parameter

For the avoidance of doubt, the volatility parameter to be used in the EVT has not been reviewed and therefore it remains unchanged at 13% per annum. This parameter will be reviewed again in September 2025.

March 2025

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<sup>1</sup> Available at: [www.bankofengland.co.uk/prudential-regulation/publication/2017/solvency-2-matching-adjustment-illiquid-unrated-assets-and-equity-release-mortgages-ss](https://www.bankofengland.co.uk/prudential-regulation/publication/2017/solvency-2-matching-adjustment-illiquid-unrated-assets-and-equity-release-mortgages-ss).

<sup>2</sup> Available at: [www.bankofengland.co.uk/prudential-regulation/publication/2018/solvency-ii-equity-release-mortgages](https://www.bankofengland.co.uk/prudential-regulation/publication/2018/solvency-ii-equity-release-mortgages).