

# Bank of England PRA

## Review of Solvency II Effective Value Test parameters – applicable from 30 September 2026

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](#), have been reviewed and updated as set out below.

The parameters in this document apply from **30 September 2026**. 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](#), as of December 2018, was 1% per annum. As set out in 3.21A of SS3/17, the PRA expects to review the value of the minimum deferment rate parameter twice a year and to publish an updated value, or to confirm the prior value, by the end of March and September each year. The table below sets out the outcome of all previous reviews since December 2018.

| Date of review | Deferment rate following review |
|----------------|---------------------------------|
| September 2019 | 0.5%                            |
| March 2020     | 0.5%                            |
| September 2020 | 0.5%                            |
| March 2021     | 0.5%                            |
| September 2021 | 0.5%                            |
| March 2022     | 0.5%                            |
| September 2022 | 2.0%                            |
| March 2023     | 3.0%                            |
| September 2023 | 3.0%                            |
| March 2024     | 3.0%                            |
| September 2024 | 3.5%                            |
| March 2025     | 4.0%                            |
| September 2025 | 4.5%                            |
| March 2026     | 4.5%                            |

For the review in September 2026, the PRA has again examined long-term real risk-free 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 retain the minimum deferment rate used in the EVT at 4.5% per annum.**

The PRA will keep the minimum deferment rate under review.

### **Volatility parameter**

The PRA has analysed house price indices from Nationwide and the Office for National Statistics up to Q1 2026. A time series model was fitted to quarterly log-returns from each of these indices to derive values for long-term index volatility. These values were then adjusted to incorporate the effect of idiosyncratic behaviour of individual properties (using data from the Land Registry).

**As a result of this analysis, the PRA has decided to retain a value for the volatility parameter to be used in the Effective Value Test of 13%.**

September 2026