

Comments on Consultation 26-09 Draft L2 Advice on TP - Methods and statistical techniques for calculating the best estimate

Name company: PricewaterhouseCoopers LLP UK

Please insert your comments in the table below, and send it to secretariat@ceiops.eu in word format. In order to facilitate processing of your comments, we would appreciate if you could refer to the relevant section and/or paragraph in the Consultation Paper 26-09.

Reference	Comment
General comment	In overall terms the CP provides some useful guidance however falls short of articulating how this may be applied or providing any practical guidance. The latter in particular will be important in the context of proportionality.
Para 3.23	The paper refers to 'Uncertainty' in the context of allowing for uncertainty in the best estimate of future cash-flows. It does not provide any view on the boundaries or types of uncertainty that should be considered. For example; the uncertainty evident in historic cash-flows, the uncertainty surrounding known changes or events (for example legislative change), or the prospect of unknown events that have been proved to occur from time to time. Some further guidance should be provided in this area as the first definition would be considerably narrower and perhaps too narrow for the purposes of valuation.
Para 3.26 (Bullet 6)	This paragraph discusses the appropriate grouping of data and that it must allow for the individual characteristics of individual policies. In this context the credibility of data will need to be considered and CEIOPS may choose to provide further guidance in this area.
Para 3.28 (Bullet 3)	The paragraph recommends a simulation approach to valuation where one or more factors exist. The third bullet refers to where 'risks have an asymmetric impact on the value of liabilities'. In practical terms nearly all insurance risk leads to an asymmetric impact. As a consequence it would not be appropriate for this to drive the use of a stochastic model which may not be appropriate or add any greater value particularly when data is limited. In this context, what level of significance should

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	be considered? The contract level or the balance sheet level? Further guidance and clarification should be provided in this area.
Para 3.28 (Bullet 5)	Policy lapses are affected by economic conditions as well as policyholder behaviour. As above it would not be right for this to drive the use of a stochastic model. Further guidance and clarification should be provide in this respect.