

Comments on Consultation 28-09 Draft L2 Advice on SCR Standard Formula - Counterparty default risk

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 28-09.

Reference	Comment
General comment	<ul style="list-style-type: none">• The module outlined in CP28 is an improvement from QIS4, particularly around the separate consideration of unrated entities. However, the proposed calculation, whilst simpler than that in QIS4, is still complicated and we have concerns over whether all insurers will be able to understand and follow it.• Additional guidance is required on the allowance of Risk Mitigation within the counterparty risk calculation, particularly as there is a lot of scope for use of judgement; this makes it difficult to ensure consistency across firms, territories etc.
Section 3.1.10 Para 3.64	<ul style="list-style-type: none">• Additional guidance is required on calibration of the module. In particular, for type 2 exposures guidance/clarification is required on how the "risk factors" x and y are to be determined for the unrated counterparties and the time period of "T" months needs to be specified.