

| Comments Template on CEIOPS-CP 41 Consultation Paper on the Draft L2 Advice on TP – Calculation as a whole | | Deadline 11.09.2009 4 p.m. CET |
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| Name of Company: | PricewaterhouseCoopers LLP | |
| Disclosure of comments: | CEIOPS will make all comments available on its website, except where respondents specifically request that their comments remain confidential. Please indicate if your comments should be treated as confidential: | No |
| <p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ <u>Do not change the numbering</u> in the column “reference”. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. <ul style="list-style-type: none"> ○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies. ○ If your comment refers to sub bullets/subparagraphs, please indicate this in the comment itself. <p>Please send the completed template, <u>in Word Format</u>, to secretariat@ceiops.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper No. 41 (CEIOPS-CP-41/09).</p> | | |
| Reference | Comment | |
| General Comment | The definitions provided in Consultation Paper 41 will result in most insurance liabilities not meeting the requirements for “calculated as a whole” as expressed in Article 76(4) of the Level 1 text. Further, in many cases, it is not practical to unbundle contracts due to the interdependency of cash-flows. It would helpful to have further practical examples as to where “ <i>valuation as a whole</i> ” would be | |

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| | <p>permitted. This would help to ensure greater harmonisation.</p> <p>In the calculation of technical provisions as a best estimate and risk margin it remains important to that the principle of market consistency as expressed in Article 75(3) and Recital 31 is met. The method should reflect reliable market prices (wherever possible) and where these do not exist or do not fully reflect the variation in future cash flows (both financial and non-financial) then adjustments to reflect the risk not captured should be made. Please see our comments on this matter in response to Consultation Papers 39 (Method to calculate the best estimate) and 42 (Calculation of the Risk Margin).</p> | |
| 1. | | |
| 1.1. | | |
| 1.2. | | |
| 1.3. | | |
| 2. | | |
| 2.1. | | |
| 2.2. | | |
| 3. | | |
| 3.1. | | |
| 3.2. | | |
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| 3.6. | | |
| 4. | | |

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| 4.1. | | |
| 4.2. | We agree with the three circumstances in which the calculation of technical provisions " <i>as a whole</i> " is admissible. This comment also refers to 4.2 | |
| 4.3. | | |
| 4.4. | | |
| 4.5. | | |
| 4.6. | | |
| 4.7. | | |
| 4.8. | We agree that in order " <i>to replicate reliably the future cash-flows associated with insurance or reinsurance obligations</i> " the cash-flow of the financial instrument should provide the same expected amount and pattern of variability. This comment also refers to 4.22. | |
| 4.9. | | |
| 4.10. | | |
| 4.11. | The definition of " <i>deep, liquid and transparent</i> " is identical to QIS4. We query the last criteria that the first two characteristics are " <i>expected to permanent,</i> " as dislocations in all markets can be observed over periods of time (particularly in the current economic environment). It would be helpful to have further guidance and examples as to how this and the first two criteria should be interpreted. This comment also refers to 4.23. | |
| 4.12. | | |
| 4.13. | | |

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| 4.14. | <p>The three criteria for full replication are strict and will not be met by many insurance contracts, as illustrated by the examples in the Consultation Paper. We note that that it remains important that where “partial” replication is achieved this is used, with adjustments for the risk not captured, to inform the valuation of technical provisions.</p> <p>We note that markets may develop in future which replicate certain biometric characteristics of cash-flows and that where this occurs valuation “as a whole” should be permitted.</p> <p>This comment also refers to 4.28</p> | |
| 4.15. | <p>In many cases, it is not practical to unbundle contracts as the cash-flows from different components are interdependent. We also question the “<i>feasibility</i>” criteria around unbundling and whether this could permit different approaches to the valuation of similar products. It would be helpful to have further example of unbundling to add clarity, for example, the treatment of unit linked products with options and guarantees.</p> <p>Further, it would also be helpful that, where practical and relevant, the requirements for unbundling are aligned with those in IFRS.</p> <p>This comment also refers to 4.24.</p> | |
| 4.16. | | |
| 4.17. | | |
| 4.18. | | |
| 4.19. | See comments under 4.2 | |
| 4.20. | | |
| 4.21. | | |
| 4.22. | See comments under 4.8 | |
| 4.23. | See comments under 4.11 | |

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| 4.24. | See comments under 4.15 | |
| 4.25. | | |
| 4.26. | | |
| 4.27. | It would helpful to have further practical examples as to where " <i>valuation as a whole</i> " would be permitted. This would help to ensure greater harmonisation. | |
| 4.28. | See comments under 4.14 | |