

Comments Template on CEIOPS-CP 44 Consultation Paper on the Draft L2 Advice on TP – Counterparty default adjustment		Deadline 11.09.2009 4 p.m. CET
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. 44 (CEIOPS-CP-44/09).</p>		
Reference	Comment	
General Comment	We welcome the inclusion of guidance in the Level 2 text on allowing for reinsurer and SPV counterparty risk in the technical provisions. We caution that materiality and proportionality concepts should be applied to ensure that the method adopted is practical. We have a number of specific comments detailed below.	

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1.		
1.1.		
1.2.		
2.		
2.1.		
2.2.		
3.		
3.1.		
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3.3.		
3.4.		
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3.6.		
3.7.	We agree that conceptually " <i>point in time</i> " estimates of the probability of default is more preferable than a " <i>through the cycle</i> " estimates. However, we caution that this may not be practically possible.	
3.8.		
3.9.		
3.10.		
3.11.	In this paragraph, there is a benchmark maximum recovery rate of 40% if there is no reliable estimate for the rate. It is noted that to ensure objectivity and comparability the degree of judgement over the rate should be restricted. We understand the sentiment, however, it is unclear what evidence there is to support a 40% restriction compared to any other benchmark. We also question whether this should	

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	be specified in Level 2 text as this may not be sufficiently flexible to allow for changes in future circumstances.	
3.12.		
3.13.		
3.14.		
3.15.		
3.16.		
3.17.		
3.18.	See comment under 3.7.	
3.19.		
3.20.	See comment under 3.11	
3.21.		
3.22.	There is a requirement in this paragraph to calculate " <i>the adjustment for counterparty default separately at least for each line of business and each counterparty.</i> " We note that reinsurance arrangement may span and interact across the lines of business (as defined in Consultation Paper 27). Consequently, it may not be appropriate to calculate the adjustment as this level of granularity.	
3.23.		