

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

Name of Company:	<b>PricewaterhouseCoopers LLP</b>	
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"> <li>⇒ Do not change the numbering in the column "reference".</li> <li>⇒ Please fill in your comment in the relevant row. If you have no comment on a paragraph, keep the row empty.</li> <li>⇒ 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"> <li>○ 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.</li> <li>○ If your comment refers to sub bullets/subparagraphs, please indicate this in the comment itself.</li> </ul> </li> </ul> <p>Please send the completed template, in Word Format, to <a href="mailto:secretariat@ceiops.eu">secretariat@ceiops.eu</a>. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper No. 45 (CEIOPS-CP-45/09).</p>		
<b>Reference</b>	<b>Comment</b>	
General Comment	In general, we agree with the principles underlying this Consultation Paper. The paper provides non-prescriptive principles on the use of simplifications in the valuation of technical provisions. There is a risk of potentially a wide range of interpretations. We recommend that further guidance is provided in Level 3 text to ensure harmonisation.	

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

1.		
1.1.		
1.2.		
1.3.		
1.4.		
1.5.		
1.6.		
1.7.		
2.		
2.1.		
2.2.		
2.3.		
2.4.		
2.5.		
2.6.		
3.		
3.1.		
3.2.		
3.3.		

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

3.4.		
3.5.		
3.6.		
3.7.		
3.8.		
3.9.		
3.10.		
3.11.		
3.12.		
3.13.		
3.14.		
3.15.		
3.16.		
3.17.		
3.18.		
3.19.		
3.20.		
3.21.		
3.22.		
3.23.		
3.24.		

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

3.25.		
3.26.		
3.27.	We support a flexible principle based approach to assess proportionality and understand this as the reason for not proposing a prescriptive rule on the proportionality assessment. To ensure consistency in the application of these principles, it would be helpful to have further guidance and examples in Level 3 text.	
3.28.		
3.29.		
3.30.		
3.31.		
3.32.		
3.33.		
3.34.		
3.35.		
3.36.		
3.37.		
3.38.		
3.39.		
3.40.		
3.41.		
3.42.		
3.43.		

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

3.44.		
3.45.		
3.46.		
3.47.		
3.48.		
3.49.		
3.50.		
3.51.		
3.52.		
3.53.		
3.54.		
3.55.		
3.56.		
3.57.		
3.58.		
3.59.		
3.60.		
3.61.		
3.62.		
3.63.		
3.64.		

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

3.65.		
3.66.		
3.67.		
3.68.		
3.69.		
3.70.		
3.71.		
3.72.	We welcome the intention to align the definition of materiality with that used in IFRS.	
3.73.		
3.74.		
3.75.	We request further clarification with respect to what is meant by "other areas of solvency assessment". Between different classes of business, or between methods of writing and pricing business, there are a variety of different risks which may elicit a variety of methods to approach materiality.	
3.76.		
3.77.		
3.78.		
3.79.		
3.80.		
3.81.	We request clarification as to what is meant by "reasonable assurance that the model error implied.....is immaterial". "Reasonable assurance" is likely to generate a wide range of interpretation between undertakings and therefore may not produce consistent assessments.	
3.82.		
3.83.		

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

3.84.		
3.85.		
3.86.		
3.87.	<p>The paragraph refers to allowing for model error and uncertainty in estimation through the application of a margin in the calculation of the best estimate. We question whether this is consistent with the Level 1 text requirement for best estimate which states: "<i>probability-weighted average of future cash flows</i>" – Article 76(2); and whether such an allowance should be part of the risk margin (through the SCR requirements).</p> <p>Assuming a margin onto the best estimate is permitted, it is not clear how the margin should be rationally calculated or assumed. In such case, further guidance on the process is required.</p>	
3.88.	3.87 comments apply here.	
3.89.	3.87 comments apply here.	
3.90.		
3.91.		
3.92.		
3.93.		
3.94.		
3.95.		
3.96.		
3.97.		
3.98.		

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

3.99.		
3.100.		
3.101.		
3.102.		
3.103.		
3.104.	See comments under 3.87	
3.105.	Frequency of back testing should also adhere to the principle of proportionality. Further guidance requested on this item.	
3.106.		
3.107.		
3.108.		
3.109.		
3.110.		
3.111.		
3.112.		
3.113.		
3.114.		
3.115.		
3.116.		
3.117.		
3.118.		
3.119.		

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

3.120.		
3.121.		
3.122.		
3.123.		
3.124.		
3.125.		
3.126.		
3.127.		
3.128.		
3.129.		
3.130.		
3.131.		
3.132.		
3.133.		
3.134.		
3.135.		
3.136.		
3.137.		
3.138.		
3.139.		
3.140.		

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

3.141.		
3.142.		
3.143.		
3.144.		
3.145.		
3.146.		
3.147.		
3.148.		
3.149.		
3.150.		
3.151.		
3.152.		
3.153.		
3.154.		
3.155.		
3.156.		
3.157.		
3.158.		
3.159.		
3.160.		
3.161.		

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

3.162.		
3.163.		
3.164.		
3.165.		
3.166.		
3.167.		
3.168.		
3.169.		
3.170.		
3.171.		
3.172.		
3.173.		
3.174.		
3.175.		
3.176.		
3.177.		
3.178.		
3.179.		
3.180.		
3.181.		
3.182.		

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

3.183.		
3.184.		
3.185.		
3.186.		
3.187.		
3.188.		
3.189.		
3.190.		
3.191.		
3.192.		
3.193.		
3.194.		
3.195.		
3.196.		
3.197.		
3.198.		
3.199.		
3.200.		
3.201.		
3.202.		
3.203.		

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

3.204.		
3.205.		
3.206.		
3.207.		
3.208.		
3.209.		
3.210.		
3.211.		
3.212.		
3.213.		
3.214.		
3.215.		
3.216.		
3.217.		
3.218.		
3.219.		
3.220.		
3.221.		
3.222.		
3.223.	The condition to distinguish “between the accident years not finally developed” does not apply itself readily to life insurance business. This part of the condition should be optional depending on type of insurance written.	

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

3.224.		
3.225.	We would welcome additional general principles and criteria in Level 2 or Level 3 text.	
3.226.	We welcome the hierarchy, but question whether it is too broad given the range of potential methods that could be applied. It is therefore recommended that further guidance is provided in Level 3 text.	
3.227.		
A.1.		
A.2.		
A.3.		
A.4.		
A.5.		
A.6.		
A.7.		
A.8.		
A.9.		
A.10.		
A.11.		
A.12.		
A.13.		
A.14.		
A.15.		
A.16.		
A.17.		

**Comments Template on CEIOPS-CP 45  
Consultation Paper on the Draft L2 Advice on TP – Simplifications**

**Deadline  
11.09.2009  
4 p.m. CET**

A.18.		
A.19.		
A.20.		
A.21.		
A.22.		
A.23.		
A.24.		
A.25.		
A.26.		