

<b>Comments Template on CEIOPS-CP 45 Consultation Paper on the Draft L2 Advice on TP – Simplifications</b>		<b>Deadline 11.09.2009 4 p.m. CET</b>
Name of Company:	European Insurance CFO Forum	
Disclosure of comments:	<p>CEIOPS will make all comments available on its website, except where respondents specifically request that their comments remain confidential.</p> <p>Please indicate if your comments should be treated as confidential:</p>	<p>No. The CFO Forum comments are not confidential.</p>
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ <b>Do not</b> change the numbering in the column “reference”.</li> <li>⇒ 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>.</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><b>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.</b></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 the CFO Forum is in agreement with this Consultation Paper and has only identified minor issues below.	

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11.09.2009  
4 p.m. CET**

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3.13.	The CFO Forum supports the points made in this paragraph.	
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3.68.	<b>“True” best estimate may be difficult to obtain.</b>	

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	The principles underlying this paragraph are sensible. However, in many cases it could be difficult to establish the "true" best estimate and hence quantify the model error.	
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3.96.	<p><b>When deciding upon whether to implement a more complex technique, the relative costs and benefits should be considered.</b></p> <p>When considering whether it is necessary to use a more complex technique, consideration should be given not only to the principle of proportionality, but also to the cost of applying the more complex technique versus the likely improvement in the valuation.</p> <p>Entities should not be expected to apply more complex techniques where the cost outweighs the benefit.</p>	
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3.105.	<p><b>Level 2 implementing measures should include guidance on the appropriate frequency of back testing checks.</b></p> <p>We recommend that the level 2 text is updated to say that back-testing checks should be performed “periodically”.</p>	
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3.131.	<p><b>A simple threshold may not be suitable under all circumstances.</b></p> <p>The CFO Forum supports high level principles around when simplifications may and may not be used but strongly recommends that there should not be bright line thresholds as a method considered to be a simplification in one instance may be the best technique in another circumstance. A sensible threshold may depend on the size of the portfolio of an individual company.</p>	
3.132.	Comments in 3.131 are also relevant here.	
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3.223.	<p><b>The second bullet point should be amended to read “...between the accident years (or underwriting years) not finally developed, if applicable”.</b></p> <p>The restriction “if applicable” is necessary as the second requirement does not apply to life (re)insurance business.</p>	

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3.226.	<p><b>The CFO Forum believes that the proposed hierarchy is too restrictive. In particular we reject (1) as it is not practicable.</b></p> <p>The CFO Forum recognises that the proposed hierarchy is too restrictive as other forms of simplification may be used in practice, depending on the characteristics of the insurance contracts, data availability, proportionality and other factors.</p> <p>The CFO Forum rejects (1) because a full projection of SCRs for all future years will be extremely time consuming and not necessarily more reliable than a simplified approach. The CFO Forum proposes a principle based approach to selecting simplification methods instead of the hierarchy in the text.</p> <p><b>The principle of proportionality should be upheld in selecting simplification methods.</b></p>	
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