

| 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: | AMICE | |
| 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 |
| The numbering of the paragraphs refers to Consultation Paper No. 44 (CEIOPS-CP-44/09). | | |
| Reference | Comment | |
| General Comment | <p>These are AMICE´s view at the current stage of the project. As our work develops, these views may evolve depending, in particular, on the other elements of the framework which are not yet fixed.</p> <p>The comments outlined below constitute AMICE´s primary areas of concern:</p> <p>AMICE believes that it would be very demanding to calibrate the LGD using a different default probability for each year, or a default probability linked to the amount to recover. This will lead to a very burdensome calculation. We suggest the one-year probability of default apply to the total amount of recoverable.</p> <p>Furthermore, special attention should be paid to reinsurers subject to Solvency II rules and equivalent. A clear distinction should be done between reinsurers covering their SCR and the others (not covering or excluded from the Solvency II perimeter). A higher recovery rate should be used for them.</p> | |
| 1. | | |
| 1.1. | | |
| 1.2. | | |
| 2. | | |
| 2.1. | | |
| 2.2. | | |

| 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 |
|--|---|--------------------------------------|
| 3. | | |
| 3.1. | | |
| 3.2. | | |
| 3.3. | | |
| 3.4. | | |
| 3.5. | | |
| 3.6. | | |
| 3.7. | | |
| 3.8. | | |
| 3.9. | We agree with this principle on a theoretical basis. However, it is very demanding to calibrate the probability of default of a counterparty according to the amount payable by such a counterparty. This issue should be linked to the dependencies with catastrophe risk. | |
| 3.10. | | |
| 3.11. | | |
| 3.12. | | |
| 3.13. | | |
| 3.14. | | |
| 3.15. | | |
| 3.16. | | |
| 3.17. | | |
| 3.18. | This consultation paper does not make any reference to the simplification used in the QIS4. AMICE | |

| 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 |
|---|--|---|
| | <p>members wonder whether CEIOPS will include such simplification in Level 2.</p> <p>AMICE members would prefer to have “through-the cycle estimates” rather than point-in-time estimates.</p> | |
| 3.19. | | |
| 3.20. | <p>We suggest a recovery rate by default of 60% rather than 40%. Where there is no information available, there is as much probability of being higher than being lower than 60%.</p> | |
| 3.21. | <p>AMICE members disagree that when the determination of the adjustment for counterparty default allows for the effect of risk mitigating instruments (i.e collaterals or letters of credit), then the credit risk of the instruments should be allowed for. We believe that this is a marginal risk and should not be considered.</p> | |
| 3.22. | <p>Splitting the capital requirements for each counterparty and for each line of business is very demanding and adds little value.</p> <p>We suggest this paragraph be deleted.</p> | |
| 3.23. | <p>We agree with this paragraph.</p> | |