



10 June 2009

Mr. Carlos Montalvo Rebuella  
Secretary General  
CEIOPS  
Westhafen Tower  
Westhafenplatz 1  
D-60327 Frankfurt Am Main

Ref.: *CEIOPS-CP-28-09*

Our Ref.: INS/HvD/LF/SR

Dear Mr. Montalvo Rebuella,

**Re: FEE Comments to CEIOPS on Consultation Paper No. 28 Draft CEIOPS' Advice for Level 2 Implementing Measures on Solvency II: SCR standard formula – Counterparty default risk module**

- (1) FEE (the Federation of European Accountants) is pleased to provide you below with its comments on the CEIOPS Consultation Paper No. 28 Draft CEIOPS' Advice for Level 2 Implementing Measures on Solvency II: SCR standard formula – Counterparty default risk module (“the Paper”).

**General comments**

- (2) We do not comment on the technical aspects of the draft advice, such as on the scope of the module and the calculation of the capital requirement for counterparty default risk. Nevertheless, we would like to note that in our opinion the different approaches for Type 1 exposures (reinsurance arrangements, etc.) and Type 2 exposures (receivables from intermediaries, etc.) appear reasonable to us given the difference in nature of the exposures concerned.

## Detailed comments

### *Paragraph 3.16*

- (3) Paragraph 3.16 suggests that for ancillary own funds other methods would be used to evaluate the ability of the counterparty to fulfil its commitment when needed. We would recommend assessing whether it would be possible to perform this evaluation consistent with other counterparty risks. In addition, we recommend clarifying that the counterparty risk relating to options and guarantees that are embedded in on-balance financial instruments, needs to be evaluated consistent with all other financial instruments. There may well be a situation in those cases, that the insurer receives a guarantee, which - despite being in the money or “not activated” in CEIOPS’s terms - is on the balance sheet as the consequence of measurement.

### *Section 3.1.4.*

- (4) In addition, Type 2 exposures include policyholder’s debtors. We note that for certain types of insurance (especially life insurance) non-performance of a policyholder debtor does not necessarily lead to a loss. It would be appropriate to allow for this in the module, as set out in Section 3.1.4.

For further information on this letter, please contact Ms. Saskia Slomp from the FEE Secretariat.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Hans van Damme', with a long horizontal flourish extending to the right.

Hans van Damme  
President