



Education and Practice Subcommittee Meeting
Westin Cape Town Hotel, Cape Town, South Africa
EPS (Part 1): Sunday, November 20, 2016
EPS (Part 2): Monday, November 21, 2016

Minutes

The list of attendees can be found at the end of this document.

Joint Chairpersons: Dave Finnis & Thomas Ringsted

1. Introductions and review of the agenda

Dave Finnis (DF) opened the meeting and reviewed the agenda. Tatsuhito Kondo was welcomed to the Subcommittee – in absentia – as a new member. Pentti Soinen was also welcomed as a new member after having participated as an observer for many years.

2. Approval of Last Meeting Minutes

The Subcommittee approved the minutes of the meeting in St. Petersburg without changes.

3. Actuarial Standards Committee (ASC) and ISAP 4 on IFRS "X" Update

The ASC has removed certain parts of the current ISAP 4 draft document and this may potentially be useful for the IANs. Micheline Dionne will circulate a copy of the removed part to the SC.

M D explained that the ISAP 4 draft had been presented to the IASB and raised 5 key issues:

- 1) Take care when listing items to include a correct description,
- 2) Some concern about use of the phrase "at least",
- 3) The role of the actuary. Clarify that she or he is an advisor to the principal,
- 4) Avoid having references that are close to quotes from the IFRS 17 and;
- 5) Reference to IFRS 17 terms should be highlighted as such and potentially included in the ISAP 4 glossary or marked as terms defined in IFRS 17.

MD explained the steps to issue the ISAP 4 would require a review in the 3rd month after IFRS 17 is issued. From there a 6 month exposure period is required. Dealing with comments may easily take 4-6 months, then it goes to ASC and they probably need 3 months to review. All who commented need to be consulted on the updated version before publication is possible, which in the best case takes us to the end of 2018 before it enters into the 60 day

agenda for council for approval (so the IAA meeting in Mexico – 1st half 2019 - is the earliest for presentation to Council).

4. Risk Adjustment Monograph (RAM)

Darryl Wagner and Bob Miccolis (BM) provided an update on the progress of the RAM at the IAC the day before. The RAM was exposed for comment on 7 November 2016 with a comment period ending 5 February 2017. It was agreed member associations could be given time until end February 2017 to comment. DF gave a summary of the discussion from the day before. The RAM is basically delayed because the IFRS 17 is delayed (almost 4 years). The benefit is that the draft is in a potentially better state/shape than a more condensed timetable would have allowed for. The exposure draft is not very accessible, which makes it more difficult to obtain input. Currently 116 have downloaded the exposure draft. A word document will be provided to the listserv and this can be distributed to the members of the associations given they are made aware of the restrictions for further distribution.

The APOG and Deloitte are seeking comments in general, but also in 6 specific areas, which are listed in the cover letter. The 6 areas were discussed.

The SC is encouraged to promote member associations commenting on the exposure draft of the RAM.

MD suggested to organize a call to provide feedback from the SC. The SC welcomed this and agreed to make as a series of calls based on groups of chapters. DF agreed to organize the first call.

Distribution to organizations outside IAA was discussed. The SC agreed to confirm that the exposure draft had been sent to the 6 largest accounting firms and the IAIS, and to circulate the distribution list to members.

BM mentioned that feedback on the section on replicating portfolio (2.4) would be appreciated. Should it be there at all or should it have more emphasis?

5. Planning for future IASP/IANs/education material in anticipation of IFRS 4 revisions

- a. Report on progress calls since St. Petersburg
Members of the SC stated that the phone call had been helpful. Some groups were awaiting the final IFRS 17, others had progressed the IAN drafting further and were ready to provide questions for this meeting. Most have been drafted in the desired Q&A format. Some IANs need to be updated as a consequence of IFRS 17, but these are also awaiting finalization of the standard.
- b. Feedback on Professionalism Committee Guidelines
The template provided by the Professionalism Committee was discussed. The main points were :

- Wording : Need to ensure no use of "should" or "must" in the guidance itself.
- Format : Correct introduction in the format for IANs approved by the Professionalism Committee,

c. IANs - discussion of key issues and draft status.

It was noted that the grouping of existing IAN subjects was based on initial indications of how they could be combined in a final version.

General Issues

2. Introduction: To be written/managed by SE upon completion of the standard

19. Transition: Current draft was discussed. DW noted that recent IASB decisions had created the need for significant change. DW asked for input on guidance on "fair Value" within the note. Discussion led towards the drafting of a new IAN on Fair Value. (JM agreed to take current wording used in draft IAN 18 as a starting point – to be assisted to DW –or an alternative UK representative - and SE) Disclosure and communication was also raised as potential "central" issue. In terms of quotation from IFRS 17 (or other IASB standards) it was decided to allow quotes within the IAN drafts at this stage – to be reviewed when our position regarding use of IASB quotes is clearer. Aim for a final draft for the Budapest meeting. It was also felt that a number of revenue issues need to be dealt with as special cases within the "Transition" IAN.

12. Presentation: Still at an early stage of development. WH expects a complete outline for the next meeting, and to include a number of revenue items as discussed by the IASB.

IASB Model Issues

3. Current Estimates: No change since St Petersburg. HS raised two issues: Firstly, the estimation of future dividends from sources outside the reporting entity's portfolio – should they be recognized in the same way as internal returns? Consistency was seen to be important in accounting for such items. This issue also raised the potential for an "key issues" log, to be shared with the IASB (to be included as part of the ongoing role of the IAC?). Secondly, the issue of "risk equalization" needs to be included. In particular, there is a need to clarify the definition of a contract where any equalization fund is in use. RM also raised the difficulties of clarifying treatment of salvage and subrogation within the draft note and the issue of definition of a portfolio for current estimate purposes. HS picked up both these issues for consideration. MD mentioned that the term "should" needs to be excluded from the draft and also suggested that Q51 needed individual attention. TR and AD noted the need for updating of various sections of the draft (Q20, Q36-39, Q60 and Q69-70) for the most recent IFRS17 expectations. HS estimated that finalisation of this note will take approx. 6 months once the standard is finalized

4. Discount Rates: EV introduced the new draft (EV has taken over from Guy C as spokesperson). Need for answers to questions and a more concise description. More treatment of illiquidity premium? Discussion confirmed that IFRS17 uses cash flows for future liabilities, so that discount rate is illiquid. Include some

examples/considerations for dealing with illiquidity of liability cash flows. RM asked about linkage between discount rate and risk adjustment (eg risk adjustment is implicitly discounted) – so need to consider how the IANs treat the element of discount within the risk adjustment (especially in differentiating financial risks from other risks)

5. Risk Adjustments: The issues document was introduced by SC. Discussion suggested that “ownership” of the risk adjustment be covered by the standard (or elsewhere). Other issues would be raised to IAC level.

16. CSM: No update

11. Contract Modifications; No update – to be incorporated into a higher level IAN?

Model Variations

13 Par & performance-linked: No update

7. Premum Allocation Approach: No update

14. Reinsurance: An initial series of questions has been drafted by SC. These cover both ceded and assumed reinsurance (“inwards” and “outwards”). A short discussion helped with future development of the IAN.

Updates of existing relevant IANs

10. Embedded Derivatives: No update

15. Classification of Contracts; No update

18. Business Combinations: JM raised the need to consider fair value as a separate IAN as discussed earlier. He also highlighted the need to review the concept of portfolio transfer and how to deal with it in the IAN.

20. Change in Accounting Policy: No update

d. Other IANs that may now need action.

There was no discussion or action taken on this topic.

6. Detailed Planning for continued development of targeted IANs

The discussion was a continuation of the discussion on planning initiated in St Petersburg. The draft timetable was used as a basis for discussion. It was noted that the IFRS finalization was likely to be later than the expected 31 March. This pushed back the proposed target dates for development. The suggestion was for an extended meeting of the Subcommittee in Chicago. (e.g., 2 dedicated days before the IAA meeting)

TR agreed to produce an updated plan. ([link to document click here](#))

7. Related IAA Member Association activities

JM noted that the Society of Actuaries had attempted to rekindle interest in the book on IFRS.

8. Other Business

TR would be resigning from the Subcommittee with immediate effect. WH mentioned that he had asked Derek Wright to take over the joint Chair role, and that this invitation has been accepted.

9. Next meeting

The next meeting will be in Budapest, Hungary – 19-23 April 2017.

List of Attendees

Participants	Organization
Members – To be confirmed	
Dave Finnis, Co-Chairperson Thomas Ringsted, Co-Chairperson Gunn Albertsen Rowen Bell Stefan Engeländer Shinji Ikeda Bob Miccolis Yoshio Nakamura Ernst Visser Tatsuhito Kondo	
Observers – To be confirmed	
Simon Curtis	Canadian Institute of Actuaries
Janet Dawson	Society of Actuaries (part 2)
Régis De Laroullière	Co-Vice-Chairperson, Accreditation
Micheline Dionne	Chairperson, ISAP 4
Alexander Dollhopf	Svenska Aktuarieföreningen
Michael Fuchs	Actuarial Society of South Africa (part 1)
Ann Henstand	Society of Actuaries (part 1)
William Hines	Chairperson, Insurance Accounting
Gareth Kennedy	Casualty Actuarial Society (part 1)
Pei-Ying Lin	Actuarial Institute of Chinese Taipei (part 1)
Jim Milholland	Society of Actuaries
Henry Siegel	American Academy of Actuaries
Pentti Soininen	Actuarial Association of Finland
Myungduck Song	Institute of Actuaries of Korea (part 1)
Jacques Tremblay	Co-Vice-Chairperson, Insurance Accounting (part 1)
Erik von Schilling	Canadian Institute of Actuaries
Derek Wright	Institute and Faculty of Actuaries