



Deadline: 28 February 2018

Please use this template to comment on the [Exposure Draft of ISAP 6 on Enterprise Risk Management Programs and IAIS Insurance Core Principles](#), and the proposed revisions to the [Glossary for ISAP 6](#).

The IAA invites comments on this Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

- (a) Comment on the questions as stated;
- (b) Indicate the specific paragraph or group of paragraphs to which they relate;
- (c) Contain a clear rationale; and
- (d) Include any alternative that the IAA should consider, if applicable within the scope of the [Statement of Intent for ISAP 6](#).

	Identification and instructions	
Name of Individual:	Please indicate if your comments are personal, or represent your organization:	Organization
Name of organization		Canadian Institute of Actuaries (CIA), Enterprise Risk Management Practice Committee
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	Not confidential
Instructions for filling in and sending the template	<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not write in the yellow shaded cells ⇒ Write in the white cells ⇒ When commenting on a specific paragraph: <ul style="list-style-type: none"> ○ Please use a separate row for each paragraph, sub paragraph, or bullet. ○ Please include the full reference in the first column such as “Introduction 3rd paragraph 2nd bullet” or “2.6.1.b.ii” ○ Please insert/append extra rows as needed. <p>Please send the completed template, renamed with the organization’s or individual’s name, attached in <u>Word Format</u>, to ISAP6.comments@actuaries.org</p>	



Deadline: 28 February 2018

	Specific Questions asked by the ASC	Response
Q1.	Is the guidance clear and unambiguous? If not, how should it be changed?	Detailed comments included below to enhance clarity of the document.
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	Yes.
Q3.	Is the guidance at the right level of detail? If not, what text should be omitted because it is too detailed? In what areas do actuaries need more detailed guidance?	Actuaries need more detailed guidance regarding scenario assumptions for stress-testing, as well as integrated scenarios.
Q4.	Are there other matters that should be included in this standard? Are there some included here that should not be?	We recommend incorporating reference to the principle of proportionality for an actuary to consider the size, nature, and scale of the organization when designing and/or conducting ERM work (i.e., one size does not fit all).

	General Comments on the ISAP 6 Exposure Draft
	ISAP 6 is well-positioned not to disadvantage actuaries practising in ERM relative to non-actuaries. In fact, the document is a valuable resource that we view as a checklist of relevant and important considerations that may voluntarily be referenced by non-actuaries performing ERM work (although they would not be professionally bound by the standard). That being said, the ISAP could be more specific to point out areas where actuaries have a distinct input in the ERM process.



Deadline: 28 February 2018

Comments on specific paragraphs of the ISAP 6 Exposure Draft		
Full paragraph reference	Change proposed to the paragraph (markup preferred) Additions bolded in red	Reason the change is needed (can be kept very brief or left blank if obvious from the change)
1.2 Scope	This ISAP applies to an actuary only to the extent of the actuary 's responsibility and involvement.	The structure of the ISAP attempts to break out the various components of ERM work that the actuary may be involved in. This sentence fails to recognize the interconnectedness of each of the components of the ERM program. That is, even where an actuary is not responsible or involved in a component of the ERM program, the actuary's area of responsibility will need to place reliance on the other areas of responsibility. ERM cannot be performed in silos. This issue is pronounced within section 2.3 where separate factors are listed for actuaries involved in risk identification, risk assessment, and risk reporting/monitoring, whereas in reality these areas can and should be interdependent. Addition to 3.1 Disclosures could include the need for disclosure of such reliance on the other components of the ERM program.
2.1 Understanding of an insurer's ERM process	2.1. The actuary should have, or obtain, sufficient understanding of the ERM system of the insurer and should consider whether the risk management elements required by regulations consistent with ICP 8 and ICP 16 are in place, including risk management policies, risk tolerance statements, an ORSA process, and economic and regulatory capital assessments.	Required risk management elements do not always include economic capital assessments. "Economic" could be changed to refer to "an insurer's own assessment of its capital needs" which is more broadly applicable and not limited to economic capital



Deadline: 28 February 2018

		assessment approaches.
2.3. Identification, Assessment and Management of Insurer Risks for an ERM Program	<p>2.3.2 (d) The extent to which the results of the enterprise risk models used to measure the economic costs and benefits of risk mitigation are consistent with information expressed by market prices for the risks concerned or related risks, where available.</p> <p>2.3.3(d) The extent to which the enterprise risk models that measure the impact of risks provide results that are consistent with information expressed by market prices for the risks concerned, where available.</p>	Reference to “market prices” throughout the document is ambiguous. It is not clear what is a reasonable approach to their determination in many circumstances, and they may not be available for many risk types.
2.3. Identification, Assessment and Management of Insurer Risks for an ERM Program	<p>2.3.3 An actuary who is responsible for, or significantly involved in, implementing or maintaining risk management controls, mitigation, monitoring or communication and reporting of the insurer’s risks should consider factors including, but not limited to, the following:</p>	Reference to actuaries performing ERM work who are responsible for implementing or maintaining risk management controls or mitigation is confusing in relation to the “three lines of defence” operating model which requires independence of the second line activities in order to effectively carry out the oversight aspect. We recognize that the ERM work performed by an actuary may at times include these duties; however, we feel it is important to emphasize that when an actuary does perform these duties in a first-line capacity, the actuary providing oversight of these same activities, must be independent from the actuary performing them (i.e., not one and the same).
2.5. Own Risk and Solvency Assessment	<p>2.5.1 The actuary responsible for, or significantly involved in, developing, implementing, maintaining or reviewing an ORSA for an insurer, should consider, in addition to the items in sections 2.3. and 2.4. above, factors including, but not limited to, the following:</p> <p>g. Differences between the insurer’s economic capital and its regulatory capital;</p>	See 2.1 comment above. Change to “Differences between the insurer’s own assessment of its capital needs and its regulatory capital”.



Comments on specific definitions in the Exposure Draft of the updated Glossary Note that only the proposed revisions are open for comment		
Defined Term	Change proposed to the definition (markup preferred)	Reason the change is needed (can be kept very brief or left blank if obvious from the change)
Missing or Alternate	<p style="text-align: center;">Proposed:</p> <p>risk limit: qualitative or quantitative measures that allocate the organization’s risk appetite to business units and subsidiaries (as relevant), specific risk categories, concentrations, and other levels as appropriate.</p> <p>risk tolerance: the maximum level of variation from an organization’s desired level of risk that it is both willing and able to accept.</p> <p>risk profile: a point-in-time assessment of an organization’s composite risk exposures aggregated within and across each relevant risk category.</p>	<p>Within the introduction, it is stated that “Some terms, such as risk appetite, risk tolerance or risk limit, are used both in this ISAP and in ICP 8 and ICP 16. When such terms are referenced without definition in this ISAP or in the associated Glossary, they are intended to have the meaning in the context with which they are used in ICP 8 and ICP 16.”</p> <p>The absence of consistent definitions can lead to confusion regarding the amount of risk deemed appropriate for an entity or an individual risk. We recommend that the IAA review the definitions used throughout the referenced documents and the ERM glossary, and seek to harmonize and fill gaps in relevant definitions. For example, gaps we have identified include definitions for “risk limit” and “risk profile”. We have also provided an alternate definition of “risk tolerance” that is in use within many organizations.</p>
missing	<p style="text-align: center;">Proposed:</p> <p>Sensitivity test: the process of recalculating outcomes under alternative assumptions to determine the impact of a variable.</p>	<p>“Sensitivity test” is an important component of a stress-testing program and should also be defined in the ERM glossary.</p>