



INTERNATIONAL ACTUARIAL ASSOCIATION

ISAP 7 Task Force of the ASC Thursday, May 26, 2016, 09:00 – 12:30 Corinthia Hotel, St. Petersburg, Russia Minutes

The attendance list is at the end of these minutes

1. Opening of the meeting - Welcome and introductions

2. Approval of the agenda without change

3. Feedback from the ASC

The following specific comments from the ASC are noted for the TF to consider:

- The structure needs to be worked on.
- Paragraph 2.1 states that the current estimate is an expected value, then in 2.5.1 it is stated that the current estimate is a statistical mean. Is it a probability weighted mean? Maintain consistency in the wording.
- Paragraph 2.5.2 – “reasonably possible range” is this a clearly defined concept by the IAIS? Similarly, “acceptable range”.
- Paragraph 2.7. – the assumptions should be unbiased as well.

The TF should strive to make the final draft conform to the ASC style guide and template for ISAPs. A very strong case should be made if the format of ISAP 7 deviates from the ASC style guide.

4. Feedback to/from the ISAP 4 Task Force

- Some differences in terminology observed in the GI sections. These were discussed in a conference call. The ISAP 7 GI group will get back to the ISAP 4 group in early July.
- The mortality and morbidity section needs some discussion and working together. Dave Sandberg was invited to join the ISAP 4 call on 7 June.
- The level of detail in the ISAP 7 draft is much less compared to the draft of ISAP 4. A reasonable balance on the level of detail needs to be agreed.
- The ISAP 4 TF will review the ISAP 7 draft in June and revert back with comments.

5. Update on activities of the IAIS since Vancouver

Jules Gribble provided an update. The key activities are as follows:

The HLA documents have been published. The BCR and HLA documents are available on the IAIS website. These have been endorsed by the G20.

ICS is a work in progress. The ICS is likely to be rolled out in two stages, ICS 1.0 and ICS 2.0 This is a more realistic implementation plan. ICS 1.0 which will focus on the standard methodology and insurance aspects is likely to be completed in mid-2017. This will be a stepping stone to ICS 2.0. ICS 2.0 will follow in 2019 and is likely to include internal models.

Field testing will happen in August/September 2016. Technical specs for field testing can be expected in mid-July 2016.

A consultation document will be published in mid-July as well, with a 3-month comment period.

The IAIS is also in the process of designating GSIIIs. The objective is to get at the systemic risk created by the NTIs and NTNIs of the GSIIIs. Some work is also being done on revising the ICPs and the IAIS/World Bank Core Curriculum relating to ICPs.

A lot of hard work is going on in the IAIS and the timelines are very tight. The IAIS would like to see ISAP 7 finalised ASAP, ideally alongside the ICS 1.0. However, given the uncertainties around some of the key issues, including the approach to valuation of assets, this will be a challenge for the ISAP 7 TF.

6. Discussion

- Address the format of the ISAP later, and let the format evolve from the drafting process.
- The IAIS response to the two questions raised by Andrew were discussed. The interpretation is that the MOCE, as proposed and currently under discussion in the IAIS, would not affect the current estimate and thus the work of the ISAP 7 TF. The current estimate without margins will be the building block for the ICS. The MOCE will be in addition to the current estimate. It was agreed to move on with the work on current estimates and deal with the MOCE as appropriate later.
- On the issue of contract boundaries, the principles and examples from the field testing specs were noted briefly. It was agreed to study the information in more depth and discuss this in a future call. Need to figure out what the differences are compared to IFRS X. The examples would be helpful to identify the differences. Clarity on the differences would be helpful when drafting and comparing with ISAP 4.
Will the definitions, such as for contract boundary, come from the IAIS? This is a question for Jules to take back to the IAIS. Currently is unclear as to whether the IAIS or IAA is expected to specify the definitions. It would be logical for the IAIS to specify the definitions and the IAA to use them as building blocks.
- The draft of ISAP 7 was discussed section by section. There were no comments on Section 1.
- The differences in terminology, Homogeneous Risk Groups (HRG) vs. portfolio, in ISAP 7 and ISAP 4 was discussed: a) HRG is used in Solvency II; b) Portfolio is not a term used in GI; and c) Portfolio is linked to the IFRS X definitions. With a clear definition for HRG, it would be a more appropriate term to use in ISAP 7. Is the term HRG used in the IAIS technical specifications? Is the term defined in Solvency II? So far in ISAP 7 draft, the term HRG has been used only in the context of assumption setting. If that is the only context in which the term is used why should it be different to ISAP 4? These are questions for further discussion.
- Who will be the addressee of the ISAPs? The ISAPs are model standards and therefore not binding unless adopted by the local jurisdictions. How will the IAIS implement the use of ISAP 7 in jurisdictions that adopt ICS? Will there be an implicit requirement for jurisdictions adopting ICS to comply with ISAP 7? It will be left to the local regulator to set the requirements. Will the IAIS have some influence on this?
- The mortality/ morbidity requirements will be discussed in a later call.
- The use of stochastic methods is applicable to both life and GI. So, this paragraph will be included in the common guidance section.
- Include "unbiased" in the characteristics under the general assumption setting section.

7. Next steps and timeline prospect

The task force has conference calls scheduled every other Thursday starting 9 June 2016 until 28 July. The calls will be at 7:00 am ET for 60 minutes each.

To make more efficient use of the conference calls and to speed up the drafting process it was agreed that Tom and Andrew will draw up a plan for assigning discussion topics for each call and let them be known to the TF members ahead of time so that they can plan to be on the calls relevant to their expertise and also provide comments by e-mail if they are unable to attend a particular call.

The next call will be on 9th June will be used to discuss the feedback from St Petersburg with the TF and plan next steps. In addition, mortality/ morbidity will be the main topic discussion at this meeting.

There being no other business, the meeting was adjourned with Tom and Andrew thanking all those who participated.