



INTERNATIONAL ACTUARIAL ASSOCIATION

ISAP 4 Task Force of the ASC Meeting Wednesday, May 25, 2016, 14:00-18:30 Room: Admiralty Corinthia Hotel, St. Petersburg, Russia Minutes

The attendance list is at the end of these minutes

1. Introduction and approval of the agenda

The Chair, Micheline Dionne, conducted round table introductions and presented the agenda. The Agenda was agreed as presented.

2. Minutes of the meeting in Vancouver

The [minutes of the meeting in Vancouver](#) (approved by the TF in the conference call on 10 November 2015) were noted without comment.

3. Verbal report on activities of the TF since Vancouver

Micheline reported that the TF had nine conference calls since Vancouver to consider the comments received in Vancouver and continue developing the exposure draft. The comments received in Vancouver have been discussed by the TF and changes made to ED.

The TF met with the leadership of the ISAP 7 TF as well as the GI members of the ISAP 7 TF to discuss the common sections in both ISAPs. The two task forces will continue to interact to discuss and align the common sections to the extent possible.

The current draft conforms to the ASC style guide and template for ISAPs. It has been checked against ISAP 1 for overlaps, and against IFRS X to minimise repetition of what is in IFRS X. The draft is still a work in progress.

The [latest draft](#) was made available with the agenda.

4. Feedback from the ASC

Micheline reported the main discussion items coming out of the ASC meeting in the morning. The discussion draft of ISAP 4 was discussed by the ASC.

The high-level feedback from the ASC was that the TF should continue to streamline the document. There was long discussion on the level of detail in the draft. The TF was encouraged to strive for brevity and more concise wording. Key observations of the ASC were:

- Avoid repetitions, particularly with regard to knowledge of IFRS X
- Avoid repetition of what is in IFRS X. Paraphrasing was not recommended.
- Reduce the extent of educational/contextual material. Don't overdo the context setting. Strive to achieve brevity with clarity.
- Paragraph 2.5.2 was discussed and cited as containing too much detail.
- Some ASC members felt that the ED should be shortened significantly (e.g. one even said by half). However, most felt that some level detail would be useful/helpful. Smaller associations expressed the desire to have more rather than less details.
- A suggestion was made to consider moving the educational material to a contextual appendix or and IAN. The material in the draft was good, and should not be lost in the process.

- A group comprising Al Beer, Tom Karp and Godfrey Perrot was appointed to review the draft and highlight areas which may be removed from the ED and indicate where more concise wording would be fitting. A marked up draft with suggestions from the group, subject to consensus with the ASC, will be sent to the TF for consideration in due course (*done; sent on 1 June 2016*). The TF was requested to deliberate the suggestions and put forth a strong rationale for retaining any educational/contextual material recommended for deletion by the ASC.

5. ISAP 4 – Discussion

The Chair invited comments on the current draft, particularly from the observers. The draft was reviewed page by page giving the observers the opportunity to bring up comments (if any) on the paragraphs on each page. The comments received are noted below:

- Can 2.2. be reduced significantly?
- “The actuary should assess the appropriateness...” what if the actuary finds something to be inappropriate? Is the guidance to be applied in such an instance adequately covered in ISAP 1? Even so, there is no pointer to ISAP 1 and it is not obvious to the reader. The preface and paragraph 1.5 points to ISAP 1; but is this enough? The ASC’s direction on this matter was noted in the [ASC’s document](#) referenced on the website. The TF noted the comment for suitable resolve.
- 2.2. is written as though the actuary is an outside party. In some countries, e.g. Finland, actuaries are employees and have a role in setting the entity’s policies. “The actuary should assess the appropriateness of the entities policies” should be worded suitably to cover this situation, for example, ‘The actuary should determine the entities policies’.
- The guidance applicable should be limited to the requirements in the actuary’s mandate for the assignment. All the guidance may not be applicable to some assignments. Is there appropriate wording in the ISAP to allow for this? Refer Scope and ISAP 1 para 1.4 Applicability, when considering this comment.
- 2.3.1. should it be recognition and derecognition of contacts rather than portfolio of contracts?
- 2.4 and 2.5 has a lot of repetition from IFRS X and contextual material. Not much guidance.
- 2.5.2. is mostly educational. E.g. Comprehensive, explicit are in IFRS X. In any case review the wording in explicit.
- The assumption setting section is shorter in ISAP 7. Can ISAP 4 follow similarly?
- Keep a record of the educational/contextual material that will be removed from the current draft of ISAP 4 when reviewing it after St Petersburg and share this with the IAN drafting teams so that the information is not entirely lost and is picked up in the drafting of IANs.
- 2.5.3. IAS 8 refers to the accounting requirement for the assumptions to be consistent from year to year, accounting requirements and actuarial requirements should be differentiated. What does “generally should” mean? Is it different to “should”?
- 2.5.3. first para last sentence: suggest to replace “However, where” with Unless.
- Who is the preparer? Is it the Board of directors of the entity or the person signing the report? In many countries it is the management or the CFO. Replace “preparer” with “principal”?
- 2.5.4. this is general guidance or educational and is not specific to IFRS X. Examples of factors – are they necessary in the ISAP? Looks too much like a check list. Collapse the subparagraphs a. – d. into a sentence without the examples.
- 2.5.7. A replicating asset is one whose cash flows exactly match the contractual cash flows in amount, timing and uncertainty (Ref. IFRS X B 46). Refine wording accordingly.
- 2.5.8. Is stochastic only for options? Insure a broader application in the document.
- 2.5.14. does this say anything more than IFRS X? Insurance contracts are much more than the terms and conditions. Revise the second sentence *Estimates for reinsurance received should reflect...* to include examples such as underwriting.
- 2.5.16. a. IFRSX mentions (not allows for; replace the words *allows for*) two approaches
- 2.5.16.b. delete the *such as to reflect...*
- Share the updated draft with the Education and Practice subcommittee of the IAC for their input.

The Chair invited further comments (if any) by e-mail.

6. Next steps

The TF will continue to draft the ED taking into consideration all the comments received in St Petersburg from the ASC, this TF meeting and the Education and Practice Subcommittee meeting. The Chair said the TF would welcome comments by e-mail if anyone has further comments.

The next conference call of the TF will be on Tuesday, June 7th at 8:00 a.m. ET. Further calls will be scheduled thereafter to continue drafting.

The Chair thanked the observers for their attendance and useful inputs and concluded the open segment of the TF meeting.

- 7.** The closed session was cancelled in view of the few TF members present and the coming call scheduled for June 7th where next steps could be discussed in more detail.

Attendance List:

Members

Micheline Dionne, Chair
Gabor Hanák
Jim Milholland
Yoshio Nakamura

Invited Guest: Ann Muldoon Financial Reporting Council

Observers:

Alexey Arzhanov	Russian Guild of Actuaries
Stefan Engeländer	Co-Vice Chair, Insurance Accounting
Alf Gohdes	Chair, Actuarial Standards
William Hines	American Academy of Actuaries
Akihiro Hotta	Japanese Society of Certified Pension Actuaries
Hirota Ito	Japanese Society of Certified Pension Actuaries
Tatsuhito Kondo	Institute of Actuaries of Japan
Paul Kollmer-Dorsey	American Academy of Actuaries
Irina Melnikova	Russian Guild of Actuaries
Bob Miccolis	Casualty Actuarial Society
Jesús Zúñiga San Martín	Colegio Nacional de Actuarios A.C.
Henry Siegel	American Academy of Actuaries
Pentti Soininen	Suomen Aktuaariyhdistys
Ernst Visser	Het Koninklijk Actuarieel Genootschap (Netherlands)