



INTERNATIONAL ACTUARIAL ASSOCIATION

Insurance Accounting Task Force of the Actuarial Standards Committee Meeting Wednesday, 14 October 2015, 14:00-17:30 Westin Bayshore Hotel, Vancouver, Canada Minutes

The attendance list is at the end of these minutes

1. Introduction and review 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 Zurich

The [minutes of the meeting in Zurich](#) (approved by the TF on 19 May 2015) were noted without comment.

3. Verbal report on activities of the TF since Zurich

Micheline reported that the TF had regular conference calls since Zurich to consider the comments received in Zurich and continue developing the exposure draft.

The [latest draft](#) was made available with the agenda. The yellow highlights in the draft are for changes since Zurich. The green highlights are the new sections added to the exposure draft after Zurich. In the current draft the measurement approach BBA (paragraph 2.5) has been placed before PPA (paragraph 2.6) as this is a more logical arrangement. A new paragraph on transition rules (paragraph 2.10 and its subparagraphs) was developed since Zurich along with the addition of paragraphs 1.4 – 1.8 to section 1. Comments are welcome on the changes made and more specifically on the new paragraphs added to the exposure draft.

4. Feedback from the ASC

Micheline reported the following main discussion items coming out of the ASC meeting in the morning:

- Manage the length of the ISAP - avoid repetitions, particularly with regard to knowledge of IFRS X. At this current early stage of drafting, it is inevitable that the ED will contain more material than required. It helps the TF to ensure that they have considered all the topics/aspects. As drafting progresses, the repetitions, educational material and redundant wording will be weeded out to achieve the right balance between the guidance and the educational material needed in the ISAP to set the context. This is noted, but will be done in the next stage in the drafting process.
- Maintain consistent terminology throughout the ISAP

- Propose a suitable structure/format for the ISAP to enable easier referencing – the ASC appreciated that IFRS X is a broad topic and that ISAP 4 will inevitably be long. The numbering structure in the current draft was running into too many sub levels, making referencing and reading very difficult. The current draft of ISAP 4 ED is structured to maintain the same logical flow as IFRS X, but this didn't quite fit in to the current three section structure for ISAPs. The template should not be a restricting factor in producing a good work product. The ASC requested both ISAP 4 and 7 TFs to give this more thought and suggest a suitable structure for these ISAPs.

Micheline also reported that a few representatives from ISAP 7 and ISAP 4 TFs had a very useful meeting to discuss the interaction between the two ISAPs and how to address the drafting of common topics. She reported that it had been agreed that both TFs would review the other's work in progress and identify areas where interaction and alignment is necessary.

The ISAP 4 TF will engage with the ISAP 7 TF as required to keep each party updated on the progress made.

5. ISAP 4 – Discussion on the draft and changes since Zurich

The Chair invited comments on the current draft, in particular to the new sections added since Zurich. The discussion opened with the new paragraph 2.10 on transition rules.

The Education and Practice Subcommittee of the Insurance Accounting Committee is writing an IAN on transition rules. Micheline is a member of this drafting group. There are several unanswered questions relating to the transition rules, which have to be answered by the IASB. This is a potential difficulty for the drafting teams of both the ISAP and the IAN.

The sections on Contractual Service Margin (CSM) and Participating contracts have not been drafted yet as these topics have not been finalised by the IASB yet. In the meantime, the TF has other topics which are stable to work on.

In terms of timing, it is expected that IASB discussions on IFRS X will be finalised around year-end 2015 and that the final standard will be published by year-end 2016. The last two quarters of 2016 will be spent on translating IFRS X. So it is possible that an advanced copy of the final IFRS X might be available by mid-year 2016.

The following specific comments were received at the meeting:

Para 1.3 – the knowledge requirement is over demanding as currently worded. Review and find the right balance.

Role of the actuary –The differences in the appropriate practices for the different roles of the actuary don't come out clearly in section 2. Consider writing the standard focusing on the preparer's actuary. The guidance may not apply equally to other actuarial roles, but they may find the guidance useful. Consider drafting a suitable paragraph under the role of the actuary section to refer to the applicability of the standard to other roles such as the auditor's or the regulator's actuary; Or consider writing appropriate practices for each role separately (recognising the overlaps). There were differences of opinion on this suggestion. The TF noted the suggestions for consideration.

Para 1.3.2 – Auditor's actuary -the difference in the role of an auditor's actuary doesn't come out very clearly in section 2.

Para 2.2.4 – Proportionality – add a bullet point about deterministic/stochastic valuation to the list of examples.

Para 2.3- Classification is not a term used in the ED, so recommend not to use this term in the ISAP. Use the word scope instead?

Para 2.3.1 - Review wording. Who decides whether it is apparent? Restructure the sentence. E.g.... in the professional judgment of the actuary it is not apparent....

Re-consider the last sentences. Should actuary or preparer document? The documentation should be based on the IFRS X requirement and no additional documentation requirements should be imposed – refer to ISAP 1.

Para 2.4 – are there two measurement approaches or only one, with the PAA being simply a simplification?

Para 2.5.3.1 – Don't understand why only pre-claim liabilities and claim liabilities are mentioned here. These are not the only examples and as currently worded is confusing and misleading. Also, is the last paragraph needed?

Para 2.10 and (general comment as well) – The ISAP should be about the action required, i.e. what the actuary should and should not do. Review the "should understand" wording within the current draft and review the value of including such wording. No stage setting is necessary in a standard. What should be the level of stage setting? 2.10 hardly has any required action except for 2.10.7. It was suggested to consider writing the higher level guidance in a different font (UK uses bold, Canada uses italics); supporting material in regular font so that it is clear what the actuary should do.

Add guidance on validation of process and studies.

Some guidance on validation of models is in the ED of ISAP 1A. ISAP 4 should not duplicate what is expected to be in ISAP 1A.

6. Next steps

The TF will continue to draft the ED taking into consideration all the comments received in Vancouver 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.

When preparing the next draft for comment, the TF will:

- Reflect the comments received as appropriate and relevant;
- Interact with the ISAP 7 TF and review the common sections in the two ISAPs;
- Interact with the Education and Practice Subcommittee to keep abreast of the material covered in the IANs and agree on what should potentially move to the IANs from the current draft of the ISAP and vice-versa;
- Take into account any updates from the IASB and check with the ED of IFRS X for consistency and completeness;
- Check the draft with the SOI to ensure that the ISAP is within the scope stated in the SOI; and
- Check the draft against ISAP 1 and ED of ISAP 1A for any overlaps.

The following conference calls (90 minutes each) have been scheduled for the TF to continue discussions and progress with the drafting:

- Tuesday, November 10th at 9:00 a.m. ET
- Tuesday, December 8th at 9:00 a.m. ET
- Tuesday, January 12th at 9:00 a.m. ET and
- Tuesday, February 2nd at 9:00 a.m. ET

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

- 7.** The closed session continued for the ISAP 4 TF members to discuss drafting and the next steps in more detail.

Please refer the next page for the attendance list.

Attendance List

TF Members

Micheline Dionne, Chair

Gábor Hanák, ASC Liaison

Jim Milholland

Yoshio Nakamura

Derek Wright

Amali Seneviratne, Staff Liaison

Observers

Stefan Engeländer

Matthew Garnier

Alf Gohdes

Max Happacher

Jongkuk Im

John Instance

Heather Jerbi

Daegyu Kim

Bob Miccolis

Ann Muldoon

Sang Rae Park

Henry Siegel

Pentti Soininen

Dervla Tomlin

Yoshihiko Tsuji

Masaaki Yoshimura

Jesús Zuñiga San Martín

Jacek Skwierczynski

Ernest Visser

Zheng Wang

Peter Withey

Masaaki Yoshimura