

**Statement of Intent to issue an ISAP: “General Actuarial Practice”  
Submitted by the IASSC**

**Introduction**

In accordance with the International Actuarial Association (IAA) due process, the IASSC recommends that the IAA Council approves this Statement of Intent to develop an International Standard of Actuarial Practice (ISAP) entitled “*General Actuarial Practice*”.

*(The IASSC has used the term ISAP in this document to differentiate the new model standards from the old IASPs, and has recommended this change to the EC, but it has not yet been approved by the EC or Council.)*

Its purpose is to enhance the quality and consistency of actuarial practice. Drafting will be performed by the GTF.

The IASSC, with input from the GTF, may recommend during the course of its development whether it is more appropriate to write one or more ISAPs according to the different subject matters covered under the ISAP, e.g., an ISAP for data quality, an ISAP for communication, etc. Accordingly, reference in the following is made to “an ISAP”, with a tentative title, although more than one ISAP and a name change may be recommended.

**Justification for a New ISAP**

Section 3 of IAA Due Process is titled “First Stage – Should the IAA Consider Issuing an ISAP on a particular topic?” The GTF believes that the six conditions specified in the due process will be satisfied by the proposed ISAP, as follows.

1. Response to Development of Related Professional Standard

This proposal to develop an ISAP is indirectly in response to the upcoming substantial revision to IFRS 4, *Insurance Contracts* and to IAS 19, *Employee Benefits*.

2. Clearly Demonstrable Need

This proposal to develop an ISAP is in response to needs that have appeared in the work of:

- a. The Insurance Accounting Committee developing an ISAP for IFRS 4, *Insurance Contracts*.
- b. The Pensions and Employee Benefits Committee developing an ISAP for IAS 19, *Employee Benefits*
- c. The Social Security Committee’s converting IASP 1 to an ISAP.

All three efforts evidence the need for an ISAP covering general practice to avoid such guidance appearing in multiple places. It is intended that the resulting ISAPs would fit together in the same way as the Canadian standards which state:

***General standards and practice-specific standards***

*.12 The standards consist of general standards and practice-specific standards. With the exception noted below, the general standards apply to all areas of actuarial practice.*

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*.13 Usually, the intent of the practice-specific standards is to narrow the range of practice considered acceptable under the general standards. For example, the practice-specific standards for selection of a margin for adverse deviations for valuation of the policy liabilities of an insurer narrow the range of practice which would be acceptable under the corresponding general standards.*

*.14 In exceptional cases, however, the intent of practice-specific standards is to define as acceptable a practice which would not be acceptable under the general standards, in which case that intent is specifically noted by words in a practice-specific recommendation like: “Notwithstanding the general standards, the actuary should...”, followed by a description in roman text for the exception.*

The need is also articulated in section 10.2.4 of the paper Convergence of International Actuarial Standards of the Convergence Task Force.

Finally several of the smaller FMAs at the Professional Committee meeting in Vienna expressed the need for such a model standard.

The Executive Committee has also agreed that the need exists, and supports this proposal.

3. General Consensus that ISAP is Needed

This general consensus was apparent from the Council discussion in Vienna of the SOI from the Insurance Accounting and Pension and Employee Benefit Committees .

4. No Conflict with the Principle of Subsidiarity

The proposed ISAP is a model standard as laid out in the Due Process document. Member associations may adopt it or not as they consider appropriate to their local needs. Thus it does not conflict with the principle of subsidiarity.

5. Clearly Defined Scope

The proposed ISAP will apply to all actuarial work unless modified by another specific model standard. It will address the following topics:

- a. Acceptance of Assignment
  - i. terms, adequate resources, access and communication rights
  - ii. the nature and scope of the professional services to be performed
- b. Knowledge of relevant circumstances
- c. Reliance on Others
  - i. Use of the work of others, including other actuaries
- d. Materiality
- e. Data Quality
  - i. Sources of data
  - ii. Sufficient and reliable data
  - iii. Testing and validation

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- iv. Materiality
- v. Dealing with inadequate or inconsistent data
- f. Assumptions and methodology
  - i. Selection of assumptions and methodology
  - ii. Reasonableness of assumptions
  - iii. Past experience
  - iv. External circumstances
- g. Assumption setting
  - i. Individual vs aggregate
  - ii. Internal consistency
  - iii. Alternative assumptions and sensitivity testing
  - iv. Assumptions requested by the sponsor
- h. Process Management
  - i. Process controls
  - ii. Reasonableness Checks
  - iii. Sensitivity of results
- i. Responsibility for assumptions and methodology
- j. Peer review
- k. Communication
  - i. Clarity in communication
  - ii. Requirement for a report (when is a report required?)
  - iii. Constraints of forum
  - iv. Constraints of internal business custom
- l. Documentation
- m. Communications and disclosures
  - i. Information Included in Actuarial Reports
    - (1) Statement of qualifications
    - (2) Executive summary
    - (3) Any restriction on distribution to third parties
    - (4) Introduction or background
    - (5) Sections on data, methodology and assumptions
    - (6) Analysis of results
    - (7) Subsequent events
    - (8) Conclusions
    - (9) Attestations and reliances
    - (10) Actuary's name, signature, position held and date

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ii. Deviation from guidance in model standard

6. Expectation of IAA Member Associations

We expect that many IAA member associations which do not currently have standards will adopt the ISAP. IAA member associations that currently have robust national actuarial standards in place may choose not to adopt the ISAP for their use since it could potentially conflict with their existing standards. Although we will seek the active involvement of representatives of those associations they will not want to have two standards on the same topic, and many will probably wish to retain their existing general standard(s). (They may, of course, choose to modify their existing standards to achieve substantial consistency with the ISAP.)

We believe this ISAP on general actuarial practice is urgently needed and request that Council approve this Statement of Intent.