



INTERNATIONAL ACTUARIAL ASSOCIATION  
ASSOCIATION ACTUARIELLE INTERNATIONALE

# Recommendation Emerging from the Consultation based on Comments Received on the Draft Statement of Intent for ISAP [7]

Report to the Executive and Professionalism Committees

Prepared by the Actuarial Standards Committee

24 OCTOBER 2014

## Submission

The Actuarial Standards Committee (ASC) is pleased to submit this report to the Executive Committee and the Professionalism Committee. It summarizes the analysis conducted by the ASC based on comments received on the Draft Statement of Intent for ISAP [7] – “Current estimates” and other matters in relation to the IAIS capital standards.

We would like to record our thanks to organizations commenting on the draft SOI, and to the members of the IAIS Task Force of the ASC who contributed to the preparation of the draft SOI and analysis of comments.

## Exposure of Draft SOI

A draft SOI was exposed for comment on 3 July 2014 with a comment deadline of 5 September 2014. We received comments from eight member associations and three other organizations. All respondents are listed in the [Appendix](#).

A comment template was provided to facilitate content submission. The survey asked three questions:

- 1) Do you agree an ISAP is needed on “current estimates” and other matters in relation to the IAIS capital standards?
- 2) Are any of the proposed topics inappropriate for inclusion in this ISAP [7]? If yes, please explain why the particular topic should not be included.
- 3) What other topics should be included in this ISAP?  
Please cover why you wish guidance in this area and if appropriate provide an example to illustrate the issue. Please note that ISAPs are not intended to address unique, country-specific issues. Member associations and local actuarial standard setting organizations could address such issues by providing additional guidance to their members as the ISAP is adopted, or adding such additional guidance within the local adaptation of the ISAP.

It also provided a space for additional comments. The full text of all comments is compiled in the report [Summary of Responses to Consultation](#).

## Broad support for developing a model ISAP

There were 11 responses to the consultation and all respondents replied “yes” to question 1, and 10 of the eleven responded “no” to question 2. The only exception on question 2 was the response from the Financial Reporting Council (UK) who took issue with one portion of the wording of the SOI. The ASC considered this carefully and felt that no change to the wording of the SOI was appropriate, since the wording included the word “artificial” qualifying the instability referred to. The Task Force will, however, take seriously the concern expressed whilst drafting the ISAP.

## Common Themes

There were no significant themes in the responses, in that no more than two respondents made any particular point (other than expressions of support), but there were some helpful comments from all respondents. Many of these comments, however, the Task Force interpreted as advice for the drafting of the ISAP itself, rather than requiring changes to the SOI. No further specific reference will be made to such comments in this report.

## Other Issues

The following points were made by one or two respondents.

- Two respondents urged the inclusion of “management actions” in the SOI, and this has been done.
- Some concerns were expressed in relation to IASB and IAIS differing requirements, and the SOI has therefore been clarified so that there can be no misunderstanding that IAIS requirements alone are covered, and where the IASB has different requirements these are not relevant to the proposed ISAP.
- Although some possibly helpful extensions of scope were suggested, the ASC felt the ISAP should not address issues, however important, which were not actuarial in nature.
- There was one respondent who was critical of the policy adopted by the ASC to have ISAPs set by area of application, rather than by a theme across applications – for example, it would have been possible to have an ISAP on discounting, with sections on different applications. The ASC considered this point again, but reaffirms its decision to have one common cross-practice ISAP (ISAP 1) and for other ISAPs to be application based. This is partially a question of style. However different actuarial standard-setters may wish to take different courses of action for different applications, and the IAA approach makes this considerably easier.
- A comment suggesting a standard for “best estimates” across all areas of work was not supported by the ASC, partly for the reason above, but also as such a wide reaching standard would be very difficult to reach a consensus upon.
- A comment that *‘the current estimate will not and should not include a risk margin, and that this should not be questioned. Therefore we suggest deleting the presumption “it is quite possible this will change with time”*’ was not supported by the ASC, as the suggested deletion is a matter of fact – IAIS may decide to change this element. The wording is designed, in accordance with the general proposal in the SOI, to respond directly to IAIS requirements and thus to allow the ASC to respond to any changing approach at IAIS.
- A small number of textual changes were suggested and the new draft reflects these where possible.

## Changes to the Draft SOI

The attached SOI reflects the changes discussed above.

## Recommendation

Given the broad support for developing model ISAP, the ASC asks the Executive Committee to approve the SOI for the Proposed ISAP [7] – “Current estimates” and other matters in relation to the IAIS capital standards, thereby authorizing the ASC to develop the draft ISAP.

## Appendix – Respondents to the Draft SOI

<b>Comments Received on the draft Statement of Intent for ISAP 7 – "Current estimates"                      and other matters in relation to the IAIS capital standards                      (Period: 3 July 2014 – 5 September 2014)</b>		
<b>Letter Number</b>	<b>Submitted By</b>	<b>Date Received</b>
1	<a href="#">Institute of Actuaries of Japan</a>	August 26, 2014
2	<a href="#">Institute of Actuaries of Australia</a>	August 27, 2014
3	<a href="#">Institute and Faculty of Actuaries</a>	September 2, 2014
4	<a href="#">Canadian Insititue of Actuaries</a>	September 3, 2014
5	<a href="#">Actuarial Standards Board</a> (Canada)	September 3, 2014
6	<a href="#">Deutsche Aktuarvereinigung e.V.</a>	September 5, 2014
7	<a href="#">International Association of Insurance Supervisors</a>	September 5, 2014
8	<a href="#">Casualty Actuarial Society</a>	September 5, 2014
9	<a href="#">Institut des Actuaire</a> s	September 5, 2014
10	<a href="#">Actuarial Institute of Chinese Taipei</a>	September 6, 2014
11	<a href="#">Financial Reporting Council</a>	September 9, 2014