



Deadline: 31 March 2016

Please use this template to comment on the [Exposure Draft of ISAP 1 A](#) Governance of Models, and the proposed revisions to the [Glossary for ISAP 1A](#).

The IAA invites comments on this Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

- (a) Comment on the questions as stated;
- (b) Indicate the specific paragraph or group of paragraphs to which they relate;
- (c) Contain a clear rationale; and
- (d) Include any alternative that the IAA should consider, if applicable within the scope of the Statement of Intent for ISAP 1A.

Identification and instructions		
Name of Individual:	Please indicate if your comments are personal, or represent your organization:	
Name of organization		Institute and Faculty of Actuaries
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	
Instructions for filling in and sending the template	<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not write in the yellow shaded cells ⇒ Write in the white cells ⇒ When commenting on a specific paragraph: <ul style="list-style-type: none"> ○ Please use a separate row for each paragraph, sub paragraph, or bullet. ○ Please include the full reference in the first column such as "Introduction 3rd paragraph 2nd bullet" or "2.6.1.b.ii" ○ Please insert/append extra rows as needed. <p>Please send the completed template, renamed with the organization's or individual's name, attached in <u>Word Format</u>, to</p> <p>ISAPIA.comments@actuaries.org</p>	



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	Specific Questions asked by the ASC	Response
Q1.	Is the guidance clear and unambiguous? If not, how should it be changed?	Yes
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	The IFoA supports the introduction of the draft standard. In particular, we welcome the clear reference to proportionate in 2.1. This should ensure that the application of the standard would not be onerous, particularly in relation to simple models. This may require clarification around the definition of model.
Q3.	Is it clear how the guidance in the proposed ISAP relates to the guidance in ISAP 1? If not, how should it be changed?	Yes
Q4.	Is the guidance at the right level of detail? If not, what text should be omitted because it is too detailed? In what areas do actuaries need more detailed guidance?	The IFoA considers that the draft would benefit from some further comment on the suitability of assumptions, both at the time of creating the model and for on-going use. We would welcome clarification of the “actuary” in 3.1 as the user or the modeller.
Q5.	Are there other matters that should be included in this standard on governance of models? Are there some included here that should not be?	While we welcome a reference to proportionality, we would also welcome the inclusion of some comment on materiality. A complex model may only have a small impact on the eventual outcome for the end user. We recognize the complexity would be covered by the application of this standard. However, a simple model may have a profound outcome on an ultimate business decision. Recognising that such simple models may have a significance beyond



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		<p>the complexity beyond the model may be of use to many actuaries.</p> <p>There may also be merit in ensuring that models are the most appropriate. In particular, using excessive complexity may not provide the best result, if a simpler model were used.</p> <p>The standard may also benefit from some comment about the testing of models, which is important to ensure their suitability for use.</p> <p>Testing would also cover the areas of maintenance and development. Changes in the external environment may enforce additional work on models and we would support recognition of this in the standard.</p> <p>2.2.4 requires an independent review, but this may be too exacting for simple models. We would consider the approach taken within the IFoA standard APS X2 in terms of determining the need for review as appropriate.</p>
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	General Comments on the ISAP 1A Exposure Draft	
	<ol style="list-style-type: none"> 1. One of the challenges for actuaries is creating models that have implications for others. Such individuals may have responsibilities for governance and validation of models. Recognising the needs of the users may require greater prominence to communication, especially when communicating to a non-actuarial user. 2. Our response to Q4 concerning assumptions indicates our view that clarity in presenting assumptions that lie within the model is crucial, as is comment about their on-going suitability. 3. While IFoA members working in the UK are comfortable with the current requirements for modelling work, we would welcome confirmation 	



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	does not impose additional responsibilities on actuaries, particularly those working in less traditional areas. The practical application of this would be for a small number of actuaries working in large firms, whose model governance is independent from the actuaries, who in turn are unable to influence that governance.

Comments on specific paragraphs of the ISAP 1A Exposure Draft		
Full paragraph reference	Change proposed to the paragraph (markup preferred)	Reason the change is needed (can be kept very brief or left blank if obvious from the change)

Comments on specific definitions in the Exposure Draft of the updated Glossary		
Note that only the proposed revisions are open for comment		
Defined Term	Change proposed to the definition (markup preferred)	Reason the change is needed (can be kept very brief or left blank if obvious from the change)