



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:	Catherine Hildebrand (comments represent my organisation)
Name of organization		Pension Protection Fund
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	Our comments do not need to be treated as confidential.
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>	



	Specific Questions asked by the ASC	Response
Q1.	Is the guidance clear and unambiguous? If not, how should it be changed?	<p>Section 2.2 provides details of the requirements that an actuary should ensure the model meets when selecting an existing model. It is not clear to us in the guidance whether the actuary should be satisfied that these requirements are met each time the model is used (eg each month if the model is used on a monthly basis), or just the first time that the existing model is selected for use as part of a regular process.</p> <p>Our view is that it is sufficient to only require an actuary to be satisfied that the requirements in section 2.2 are met when the existing model is first selected for use as part of a regular process. The actuary should then be satisfied that the requirements in section 2.5 (Using a Model) are met each time the model is used as part of a regular process.</p> <p>The guidance is otherwise clear and unambiguous in our view.</p>
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	<p>When selecting an existing model, paragraph 2.2.4 requires an actuary to be satisfied that the model has been validated by a person / team not involved in developing the model.</p> <p>While we agree that this is appropriate in some instances, there are other instances when this would not be proportionate in our view. For example, if there are only a small number of in-house people with the capability to validate models and they've all been involved in the development of the model then there would be a requirement to get the model validated by an external firm, which would be disproportionate in</p>



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		<p>some cases depending on how the model is intended to be used.</p> <p>It would therefore be more proportionate to require the model to be appropriately reviewed and validated, where the actuary should exercise his / her judgement in determining what level of validation is appropriate (which may include validation by a person / team not involved in developing the model).</p> <p>The guidance is otherwise sufficient and appropriate in our view.</p>
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?	It is clear to us how the guidance in the proposed ISAP 1A relates to the guidance in ISAP 1.
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 guidance provides the right level of detail in our view.
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?	The matters covered in this standard are sufficient in our view and we don't have any suggestions for items to exclude or additional items to include.

	General Comments on the ISAP 1A Exposure Draft	
	<p>We support the IAA's initiative to publish an international standard on the governance of models. We operate a number of models at the PPF including a complex model that informs us of the probability that we will meet our funding objective to be self-sufficient by our funding horizon (currently 2030). We also operate a number of other models and we recognise the importance and benefits that is provided by the robust governance of models.</p>	

Comments on specific paragraphs of the ISAP 1A Exposure Draft
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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)
2.2	If the actuary is selecting an existing model (whether developed in-house or by a third party) for use for the first time (either as a one-off process or the first use in a regular process) , the actuary should: ...	Detailed in our response to question 1.
2.2.4	Be satisfied that the model has been appropriately reviewed and validated by a person/ team not involved in developing the model , or otherwise arrange such review and validation. This validation should include an assessment that the model reasonably delivers its intended purpose and that the results of the model can be appropriately reproduced.	Detailed in our response to question 2.

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)