ISAP 4 – IFRS 17 Insurance Contracts

Report on Treatment of Comments on Exposure Draft

Submission

The ISAP 4 Task Force of the ASC is pleased to submit this report. It documents the comments we received on the exposure draft of ISAP 4 ("ED") and how we addressed those comments.

We would like to record our thanks to those commenters, both organizational and individual.

Preamble

The ED along with the amendments to the Glossary for the ED was published on the IAA website on 27 February with a comment deadline of 30 June 2018. A transmittal memo was published concurrently which requested answers to four specific questions. An MSWord template was provided to submit comments.

This report outlines the answers to our questions and other comments we received on the ED and what we did as a result. It is organized into four sections:

I. List of submissions, with the date of receipt for each.

II. Summary of the answers we received to our four questions and our responses.

III. Summary of general comments received and our responses.

IV. Detailed paragraph by paragraph summary of the comments received and our responses.

This report was drafted by the ISAP 4 Task Force of the ASC and reviewed and edited by the ASC. Throughout the document "we" means the ASC.

I. List of comments we received on the ED

We received the following comments which can be viewed in their entirety on the IAA website at https://www.actuaires.org/index.cfm?lang=EN&DSP=PUBLICATIONS&ACT=STANDARDS_EXPOSUREDRAFT-ISAPIFRS

Comments Received on the Exposure Draft of ISAP 4 (Period : 27 February 2018 – 30 June 2018)		
Letter Number	**Submitted By**	**Date Received**
1.	Individual comment submitted by Warren Rodericks	25 June 2018
2.	Actuarial Society of Finland	25 June 2018
3.	Deutsche Aktuarvereinigung e.V. (Germany)	26 June 2018
4.	Individual comment submitted by Stefan Engelaender	27 June 2018
5.	Den Norske Aktuarforening (Norway)	27 June2018
6.	Zurich Insurance Company (Zurich)	28 June 2018
7.	Institute of Actuaries of Japan	28 June 2018
8.	Financial Reporting Council (UK)	28 June 2018
9.	Actuarial Standards Board and the Canadian Institute of Actuaries	28 June 2018
10.	Autorité des marché financiers	22 June 2018
11.	Institute of Actuaries of Australia	28 June 2018
12.	Institute of Actuaries of Korea	29 June 2018
13.	Institute and Faculty of Actuaries (UK)	29 June 2018
14.	Members of the US Actuarial Standards Board and members of the Financial Reporting Committee of the American Academy of Actuaries	29 June 2018
15.	Society of Actuaries of Ireland	29 June 2018
16.	Individual comment submitted by Daphne de Leval	30 June 2018
17.	Het Koninklijk Actuarieel Genootschap (Netherlands) - Template and ISAP Markup	30 June 2018
18.	Hungarian Actuarial Society	30 June 2018
19.	Casualty Actuarial Society (US)	30 June 2018
20.	Individual comment submitted by Sam Gutterman - Template and ISAP Markup	2 July 2018
21.	Actuarial Society of Hong Kong	9 July 2018

II. Summary of the answers we received to our 4 questions

We asked the following questions in the transmittal letter for the ED. Each question is shown in bold font and followed by a summary of the responses we received. These responses were thoroughly considered in our redrafting.

Note: Comments and suggested changes on specific paragraphs are addressed in Section IV of this report. General comments received in the responses to the 4 questions are addressed here.

Q 1: Is the guidance clear and unambiguous? If not, how should it be changed?

Of the 21 commenters, 4 said the guidance clear and unambiguous, 9 provided specific comments and recommendations for improvements and 8 did not respond to the question.

Comment **Response**	We are concerned there is a risk that the guidance in ISAP 4 may result in ambiguity due to differences between the wording of the guidance in ISAP 4 and the requirements in IFRS 17. In particular, we feel that section 2.6 contains guidance on topics for which IFRS 17 already sets requirements and provides guidance. Since these topics are already covered in IFRS 17 and understanding IFRS 17 will be supported by an IAN, we have made a number of suggestions We have reviewed the draft carefully in light of this comment and edited it where we felt it was appropriate.
Comment **Response**	It becomes ambiguous due to rephrasing binding IFRS 17 guidance. We have reviewed the draft carefully in light of this comment and edited it where we felt it was appropriate.

Q2: Is the guidance sufficient and appropriate? If not, how should it be changed?

Of the 21 commenters, 15 provided comments with specific suggestions and 6 did not respond to the question.

Comment **Response**	We are concerned that there is guidance in ISAP 4 that is already covered in either IFRS 17 or in ISAP 1. We have reviewed the draft carefully in light of this comment and edited it where we felt it was appropriate.
Comment	We believe there are two overarching comments that should be made at/near the beginning of ISAP 4: (i) A note that ISAP 4 covers the adoption of IFRS 17, which is itself a standard. ISAP 4 is not intended to contradict IFRS 17, but if the reader considers there to be inconsistencies, the wording of IFRS 17 itself and related Appendices/Guidance/etc should take precedence over the wording of ISAP 4.

	(ii) A note that ISAP 4 should be read in conjunction with the relevant IAN (100) and that most of the detailed discussion around technical points is deliberately to be found within the IAN not within ISAP 4.
Response	(i) No change as the guidance ISAP 'complements' IFRS 17 as per ISAP 4 1.4. ISAP1 1.3.1 already specifies that law (which includes accounting standards) takes precedence over ISAPs. (ii) The IAN is not part of standards and ISAPs are to be read independently from IANs. No change in the ISAP.
Comment	It would be helpful if ISAP 4 were drafted as a stand-alone ISAP that would work for those member associations that have not adopted ISAP 1 as drafted, including those that have modified it and those that have other standards that are substantially consistent.
Response	The current approach is a decision made by ASC for all ISAPs.
Comment	As a Standard of Practice, it does little to clarify actual practice
Response	Clarifying actual practice is not the role of an ISAP.

Q3: 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?

Of the 21 commenters – 3 said the guidance was at the right level of detail, 12 provided comments with specific suggestions and 6 did not respond to the question.

Comment	Taking into account the other educational material related to IFRS 17 that is being developed by the IAA, including the monographs on discounting and risk adjustment and the IAN, and ISAP 1, we consider that the level of detail could be reduced.
Response	ISAP 4 together with ISAP 1 provides principles based guidance while the monographs and the IAN are educational. ISAP 4 doesn't repeat what is in ISAP 1 and does not include educational material.
Comment	We believe there is a high degree of variability in the detail covered in each topic within the exposure draft; for example, there are many points on reinsurance and very few on discount rates. In general, our view is that details on technical points should be provided in the IAN.
Response	We agree that details on technical points should be provided in an IAN. ISAP 4 complements the guidance in IFRS 17 which covers some items in greater details than others.

Q4: Are there other matters that should be included in this standard? Are there some included here that should not be?

Of the 21 commenters – 3 responded "no" to the question, 12 provided comments with specific suggestions and 6 did not respond to the question.

Comment	We consider that if the introduction is going to refer to elements of the measurement basis in IFRS 17, it should not only refer to the balance sheet, fulfilment value and contractual service margin but also refer, as a minimum, to the comprehensive income statement and the new bases for calculating revenue and profit or loss. In our detailed comments we have suggested amending paragraphs 3 and 4 to be consistent with IFRS 17 IN1. Some of the guidance in ISAP 4 broader application to actuarial services in relation to financial reporting e.g. work in relation to IFRS 9, for example paragraph 2.6.2 of ISAP 4. We consider such guidance may be better placed in ISAP 1 or in a standard that is specific to actuarial work for financial reporting, so its application is not limited to IFRS 17.
Response	We have reviewed the draft carefully in light of this comment and edited it where we felt it was appropriate.
Comment	There is no guidance on how to determine if a contract has direct participation features. In IFRS 17 paragraph B101, the definition of those contracts requires to determine if there is a "substantial share of the fair value returns on the underlying items" that is paid to the policyholder and that "the entity expects a substantial proportion of any change in the amounts to be paid to vary with the change in the fair value of the underlying items". The term "substantial" involves judgment and ISAP 4 should include elements that the actuary should consider when determining if a contract has direct participation features.
Response	While there may be significant educational content to be provided in this area, there is limited guidance to be offered in addition to that specified in IFRS17 at this time. Such educational material is outside the scope of this ISAP and should be covered in the IAN.
Comment	Suggestion to include: - Contract boundaries w.r.t. insurance and reinsurance contracts - CSM evolution under GMA/VFA/PAA - Investment component - OCI/P&L versus P&L policy - Modified retrospective approach on transition
Response	Some items are outside the scope of this ISAP (education) and should be covered in the IAN while others have been addressed.
Comment	No omission except for Fair Value Approach in Transition (2.10).

Response	See the answer in 2.10.

III. Summary of general comments received and our responses -

Comment **Response**	It would have been helpful if the exposure draft had been supported by a document setting out the rationale for each point of guidance included. The ASC will consider this request for the next ISAP.
Comment **Response**	It would be helpful to the user if the ISAP could provide specific paragraph references to IFRS 17 where possible. The ASC did not adopt this proposal.
Comment **Response**	Use of quotes from IFRS 17 - 'Hence, an ISAP should repeat IFRS guidance, if at all, only in proper citations clarifying the authority of the guidance by reference to the respective IFRS paragraph.' If there were any quotes they should be verbatim, attributed quotes.

IV. Paragraph by paragraph summary of the main comments received and our responses.

Several commenters suggested editorial changes to the ED. We have considered all such suggestions and adopted those that we felt improved clarity.

Introduction

Comment **Response**	Para 1 and 2 (para 1 in 2^{nd} exposure draft): 1. Delete Reason: The paragraph is not needed. Neither ISAP 3 on IAS 19 has not a respective paragraph. Doesn't give any practical information. 2. "An entity…" defines IFRS on the second line, when it was already used on the first line of that paragraph. Similarly, IFRS 17 is defined in the first sentence of the "Introduction", but previously used in the "Preface". 1. Agreed. ISAP 3 introduction starts with the current 2nd sub-paragraph. The first two sub-paragraphs were reworded for greater consistency with ISAP 3. 2. The first two sub-paragraphs were re-worded taking the comments into account. IFRS 17 is also defined in the Glossary but is used in its long form in the Introduction to alert non-technical readers of the purpose of the ISAP.
Comment	Para 3 (para 2 in 2^{nd} exposure draft): 1- Delete

	Reason: The paragraph is not needed. Neither ISAP 3 on IAS 19 has not a respective paragraph. In its expression the scope is narrow and too technical. 2- Consider deleting Reason: This is not required by IFRS 17, when contracts are able to be measured under the Premium Allocation Approach and a lot of insurance will qualify for PAA. Suggest delete or alternatively quote IN6-8 from the introduction to IFRS 17. 3- This paragraph, "As described by the IASB…" including the two bullet points doesn't seem introductory and perhaps is better placed later (perhaps within 1.5?) 4- I see no reason to include this paragraph (from "As described") here – this detail seems out of place, especially without mentioning the premium allocation. Suggest considering deleting it. It also ruins the flow of this Introduction.
Response	The alternative suggested by the second commenter is a much longer description of the principles in IFRS 17 and indeed too long for the purpose of this introduction. Regarding the PAA, it is an approximation of what is described. No change.
Comment	Para 4 (para 3 in 2nd exposure draft): The wording in bold should be added to the following sentence: "This means it is responsible for identification, **aggregation**, recognition and derecognition **and classification of contracts, the choice of measurement approach and assumptions, the measurement calculations and disclosures in the IFRS financial statements**." This change should be carried through into further sections of the ISAP as appropriate. Reason: Aggregation of results for different contracts may be one of the Actuary's responsibilities.
Response	We agreed and made changes.
Comment	Para 5 (para 4 in 2nd exposure draft): 1. Nevertheless, actuaries providing actuarial services in connection with IFRS 17 may be making decisions for the entity, advising the entity on decisions, ensuring regulation is complied with, carrying out the calculations required or some combination of these. Reason: We believe the actuary may have an important role in ensuring the regulation is complied with as well. 2. More accurately "helping to make" instead of 'making'
Response	1. We believe that the added text goes beyond the scope of this ISAP. No change. 2. We agreed and made changes.
Comment	Para 6:

	1. Add if it is held appropriate: From the view of the actuarial services the standard has several main features the actuary may contribute: • Identification and classification of insurance contracts and their risks. • The measurement of the insurance liability as the risk-adjusted present value of the future cash flows (the fulfilment cash flows); • An amount representing the unearned profit in the group of contracts (the contractual service margin); • Recognition of the profit over the period the entity provides insurance coverage, and as the entity is released from risk; • Presentation of profit and loss; • Large number of extensive quantitative reports; Reason: The respective paragraph doesn't exist in ISAP 3 but replaces the deleted 3rd paragraph if this kind of message seems to be appropriate. Copies are from IFRS 17.IN6(d) 2. It is confusing that this gives three bullets on its "intentions" and the next paragraph in the standard gives three somewhat different "purposes" – possibly merge them into a single set of objectives or purpose, or better distinguish these two sets. For instance, this set focuses on public confidence, while the next set identifies users' confidence – both? or is intentions of lesser importance than purposes? 3. 1st bullet – 'within and across' - Confusing – how can it facilitate convergence in standards within a jurisdiction – either it facilitates standards across jurisdictions or practice within/across jurisdictions.
Response	1. We believe that the 4th paragraph does focus on the main elements and does that more concisely. No change. 2. The 'intentions' in the introduction are from an IAA perspective. The 'purpose' in paragraph 1.1 is from the standard setter perspective. Wording in the Introduction was changed to be more explicit. 3. We changed the focus of convergence from 'standards' to 'practices' in response to the comment received.

Paragraph 1.1

Comment **Response**	Actuarial services are carried out professionally, with due care **and comply with regulation** Complying with regulation is a part of acting professionally and with due care. This wording is consistent with all other ISAPs. No change.
Comment	Whether or not the results are relevant to the need of the user is only partly the responsibility of the actuaries. The user/entity engaging the actuary has an equally

	important role – i.e. articulate the question and the subject of the engagement appropriately. Reason: We suggest to consider adding this additional sentence to this chapter. This is essentially covered in ISAP1 3.1 but it may also be useful to include here to show a balanced picture.
Response	This wording is consistent with other ISAPs and focuses on guidance to the actuaries. The users indeed have a responsibility to articulate the engagement appropriately and the actuary to understand that engagement. No change.

Paragraph 1.2

Comment	Commenter thought the paragraph helpful and asked us to retain it.
Response	Thank you.

Paragraph 1.3

	No comments were received on paragraph 1.3.; changes made are to reflect the merger of ISAP 1 and ISAP 1A, adopted since the 1st exposure draft.

Paragraph 1.4

Comment	Consider deletion below: *This ISAP relates to the content of IFRS 17, ~~and other IFRSs~~ including any interpretations....* Reason: We believe ISAP 4 should only relate to IFRS 17. If it relates to all other IFRSs then it needs to be substantially expanded to cover the requirements of those IFRSs. Alternatively, it needs to be clear that this ISAP only relates to the content of other IFRSs to the extent that they refer to, or are relevant to, the application of IFRS 17.
Response	We took the alternative suggestion and added "relevant" to other IFRSs.
Comment	The placement of "IFRIC" appears to include the "Standing Interpretations Committee"? If only referring to the "International Financial Reporting Interpretations Committee", then would seem to belong before "or"
Response	We changed the wording.
Comment	**Relationship to IFRSs –** This ISAP relates to the content of IFRS 17 and other IFRSs, including any interpretations from the International Financial Reporting Interpretations Committee or the Standing Interpretations Committee thereon (IFRIC), as issued through MONTH 20XX [date of final consultation on ISAP 4]. The guidance in this ISAP complements the guidance in IFRS 17, which is not repeated in this ISAP.

Response	We changed the wording from "final" to "finalization of". This wording will be deleted in the final version of ISAP 4 and replaced with the applicable date.

Paragraph 1.5

Comment	Request to identify which Glossary the ISAP 4 is referring to.
Response	All existing ISAPs refer to the Glossary in a similar manner. Changing the ISAP 4 would imply a change to all other ISAPs. Final ISAP 4 will be adopted along with the associated glossary, allowing the readers to make the connection. No change.

Paragraph 1.7

Comment	Correct, either delete "an" or change "statements" to "statement"
Response	Changed "statements" to "statement", to be consistent with other ISAPs.

Paragraph 2.1

Comment	Indeed, it should be considered whether the whole specific list in #2.1 is necessary – it is noted that the requirements of ISAP 1 in this regard should be sufficient. The absence of a specific list avoids anything being unnecessarily included or inadvertently excluded.
Response	The relevant section of ISAP 1 is 2.2 **2.2. Knowledge of Relevant Circumstances** – The actuary should have or obtain sufficient knowledge and understanding of the data and information available, including the relevant history, processes, nature of the business operations, law, and business environment of the entity, to be appropriately prepared to perform the actuarial services required by the assignment. This list is general and does not cover the more specific concerns relevant to IFRS 17. "Inadvertently excluded" is covered by "such as". No change.
Comment	Some of the items may not be relevant or material in all cases (here and elsewhere).
Response	Covered here by "sufficient" and "necessary" in the stem. No change.
Comment	"Measuring" rather than "determining" in a.
Response	We made the change.
Comment	Add a new point about the financial market in which the entity operates.
Response	We agree and added a new point 2.1.b.: The business environment in which the entity operates, including the financial market(s) from which it obtains data.

Comment **Response**	"… relevant risks that can affect …" in b.(c. in the 2nd exposure draft) rather than " …any risk that can affect …" Covered by "that has an impact on the measurement", which is another way of saying "relevant". We deleted any and made risk plural.
Comment **Response**	Align wording to IFRS 17. E.g. change "entity's appetite…" to "entity's view of the compensation required…" in c. The appetite for risk is a broader concept than the entity's view on compensation required. We believe that the current wording is more appropriate.
Comment **Response**	"Appetite for any risk" isn't defined, and it's not clear what ways that appetite impacts the IFRS 17 reporting. This is educational and better placed in an IAN/Monograph.
Comment **Response**	If the actuary is presumed to understand the appetite for "any risk", does that then presume an overly broad understanding of management's ERM framework and process, metrics, probability standards, etc? Covered by "that has an impact on the measurement", which is another way of saying "relevant". It is also covered by "sufficient" and "necessary" in the stem. We deleted any and made risk plural.
Comment **Response**	Include risk management system in b (c in the 2nd exposure draft). Risk management system is part of "operations" in d. Giving it extra emphasis in isolation could downplay other aspects of operations. See below.
Comment **Response**	Add "(e.g., underwriting and claims management, as applicable)" to c (d in the 2nd exposure draft). We prefer simply referring to operations without listing specific aspects of operations.
Comment **Response**	Change "How law affects …" in e. (f. in the 2nd exposure draft) to "How laws affect…". "Law" in this context is a collective noun, which is defined in the Glossary to be quite broad. No change.
Comment	2.1.f (g in the 2nd exposure draft) - Consider removing this paragraph. Reason: In many audit firms, the actuary advising the auditor will take instructions

	from the auditor who has knowledge of the auditing standards. The actuary themselves may not have a detailed knowledge of the auditing standards.
Response	This is covered by "sufficient" and "necessary" in the stem. The ISAP does not specify how the actuary meets the requirement, but to delete the paragraph altogether would leave a gap which we consider inappropriate. No change
Comment	The actuary may not know the auditor's materiality.
Response	There are no longer any references to the auditor's materiality (reference deleted). No change

Paragraph 2.2

Comment	The actuary should understand the distinction between materiality with respect to the actuarial services specified in ISAP 1, the preparation of IFRS financial statements specified in Conceptual Framework and the auditing of those financial statements.
Response	We are using 'actuarial services' as defined in the Glossary. We don't believe there is a need to include a reference to the Conceptual Framework.
Comment	There may be instances where the actuary may not know the auditor's materiality, thus wording may need to be modified to accommodate this situation.
Response	We reverted to a text more aligned with other ISAPs and do not refer to auditor's materiality anymore.
Comment	In applying ISAP 1 paragraph 2.4. Materiality, the actuary's threshold of materiality with respect to the actuarial services should not be greater than the minimum between the entity's threshold and the auditor's threshold of materiality with respect to the preparation of IFRS financial statements.
Response	There are no longer any references to the auditor's materiality.
Comment	In all following paragraphs of this ISAP, any use of "material" or "materiality" is with respect to the actuarial services **carried out in accordance with this ISAP**.
Response	We made the change.

Paragraph 2.3

Comment	Proposal to substitute the "materiality" by "proportionality" as by the opinion of the commenter these two are related. If "materiality" is intended to convey a meaning significantly different from "proportionality", perhaps make more clear.

Response	We believe that in p.2.3. "materiality" and "proportionality" carry different meanings: the "materiality" is related to the effect or impact on the result, while "proportionality" is related to the effort needed to achieve the result and its possible impact. Thus, using both concepts explains that both "materiality" and "proportionality" are to be taken into account in applying judgment. We have edited this paragraph to add clarity.
Comment **Response**	Should this paragraph be in ISAP 1, as it does not seem to be specific to IFRS 17? What we have in ISAP 4 complements what is in the updated version of ISAP 1 adopted in December 2018. No change.

Paragraph 2.4

Comment **Response**	Scope needs to include combinations and the fact that recognition is described in IFRS 17 for groups of contracts, That groups of insurance contracts may have later additions, To make reference to key components that should be separated, are measured under a different standard. Recommended changes have been made to the wording with a new 2.b added and the list re-lettered, and terminology changed. We felt that covering later additions for groups of contracts and types of components was redundant.
Comment **Response**	Item 2.d , (2.f in the 2nd exposure draft), does not need the lengthy explanation. Shortened to be consistent with other points in the list.
Comment **Response**	Remove requirement to disclose in actuary's report the effect of changes, as they may come from accounting decision. Disclosure is appropriate regardless of reason for the changes. No change.
Comment **Response**	Add aggregation of contracts to the list, as this is a key process. Addition made.
Comment **Response**	Is "actuary's" needed in front of report. Is an "actuary's report" different from a "report" as defined in the glossary. We made the change in 2.4 and in other similar instances.
Comment **Response**	We agree that "paragraph" should be singular because of the use of the "or". However, the verb "applies" must be read with "processes" and hence should be "apply". We have made appropriate changes to the wording.
Comment	Put "estimates" in front of fulfillment cash flows in 2d. (2.f. in the 2nd exposure

	draft).
Response	This paragraph has been revised, deleting the reference to fulfillment cash flows.

Paragraph 2.5

Comment	Grammatically, shouldn't "paragraph" be matched with "applies" - "as processes to which ISAP 1 paragraph 2.7. Assumptions and Methodology Set by Actuary or 2.8. Assumptions and Methodology Prescribed applies"
Response	We have made appropriate changes to the wording.
Comment	The actuary should treat the processes of selecting the appropriate measurement approach to be applied to each group of insurance contracts, whether it is the general measurement approach, the premium allocation approach (PAA) or the variable fee approach, as processes to which ISAP 1 paragraphs 2.7. Reason: We would expect the GMA and VFA to be key IFRS17 terms indicated in green with a double underscore.
Response	We do not agree with the comment since GMA and VFA are not defined terms in IFRS 17. No change.

Suggested New Paragraph 2.5

Comment	Suggest inserting a new paragraph 2.5 before 2.6 - The actuary should give advice on the investment components of the contracts and on those cash flows which are regarded and belong to the insurance service.
Response	Advice on which investment components to split is covered by ISAP 4 2.4 and IFRS 17 while advice on how to value the investment component once split out of the insurance contract are outside the scope of IFRS 17. A new paragraph was not added.

Paragraph 2.6.1

Paragraph 2.6.1 Stem	
Comment	1 Consider removing paragraph 2.6.1 – not IFRS 17 specific – covered in other guidance and standards. 2 Include "where applicable/relevant/material" in stem
Response	1 Although not specific to IFRS 17, we consider the guidance in 2.6.1 to be important and relevant to IFRS 17, when applying ISAP 1 paragraph 2.7. 2 Not really needed, as "consider" or "be aware" covers this point. No change.
Paragraph 2.6.1a	

Comment **Response**	1 Should be mandatory 2 Should be omitted – or in ISAP 1 3 Various rewordings We have reworded 2.6.1 a to avoid misunderstandings.
Paragraph 2.6.1b	
Comment **Response**	Reword to be more direct and/or more general. Changed to take into account the comment.
Paragraph 2.6.1c	
Comment **Response**	1 Delete – this guidance is already covered by ISAP 1 2.7.6 and we are unclear as to what additional points are specific for IFRS17 that would not apply to other financial reporting exercises already covered by ISAP1. 2 There is no requirement for economic scenarios, so change to: Make links as necessary to ensure consistency **among** assumptions; 3 Replace 'Make links as necessary…' with 'Consider linkages as necessary…'. Links are not specifically covered by ISAP 1 2.7.6. The wording was changed to use consider which is less prescriptive and better fits the case where links do not apply.
Paragraph 2.6.1d	
Comment **Response**	1 should be added to ISAP 1. Not an IFRS 17-specific issue. 2 should be deleted since this guidance is covered in IFRS 17 paragraphs B37-B41 which explain the requirement of paragraph 33(a). While the term "asymmetrical distribution" is not used explicitly in these paragraphs it is difficult to see how an actuary would conclude that an asymmetric distribution could be ignored. 1 We would consider moving to ISAP 1 in a future revision. 2 We consider that explicit reference to "asymmetrical distributions" is needed, to alert the actuary to this possibility, especially where gross liabilities are subject to asymmetry which is sometimes largely negated for net liabilities by reinsurance. No change at this time.
Paragraph 2.6.1e	
Comment	Delete 1 What is credibility technique?

	2 This guidance appears to be advocating the use of a specific technique for managing the underlying data. The underlying principle is already covered by ISAP 1 2.7.1 and IFRS 17 B41(c).
Response	The underlying principle *is* covered in ISAP 1 and IFRS 17, but without enough guidance. Education on how to apply credibility techniques should be provided by education material. – No change.
Paragraph 2.6.1f	
Comment	1 Delete – it is usual actuarial practice and not an IFRS 17-specific issue – also remove from the glossary. 2 Delete – covered by IFRS 17 B41(c)(i) 3 Reword as "Consider the effects of policy-holder behaviour over time."
Response	We moved the topic of Anti-selection to 2.6.4 Policyholder options. B41(c)(i) covers a different topic.
Paragraph 2.6.3g and 2.6.4e	
Comment	2.6.3 g is a generic point that could be included in section 2.6.1, rather than repeated in 2.6.3g (and 2.6.4e).
Response	We agree and moved the topic from 2.6.3g and 2.6.4e into 2.6.1f

Paragraph 2.6.2

Comment	Some of the guidance in ISAP 4 broader application to actuarial services in relation to financial reporting e.g. work in relation to IFRS 9, for example paragraph 2.6.2 of ISAP 4. We consider such guidance may be better placed in ISAP 1 or in a standard that is specific to actuarial work for financial reporting, so its application is not limited to IFRS 17.
Response	There are no current plans for a generic standard specific to actuarial work for financial reporting.
Comment	ISAP 1 sets out the fundamental principles actuaries follow to achieve appropriate standards of quality for all actuarial services. IFRS 17 sets out in some detail the specific requirements that actuaries will need to apply to actuarial services performed in relation to IFRS 17. Consequently ISAP 4 should be a relatively short standard identifying the small number of areas that actuaries may need to consider for work in relation to IFRS 17, which are not explicitly covered in either ISAP 1 or IFRS 17 or by considering these two standards together. We consider that paragraph 2.2 and paragraph 2.6.2 of ISAP 4 are good examples of such areas and should be included in ISAP 4. Please see our detailed comments below. 2.6.2. We consider this paragraph is helpful and that this point should be retained in ISAP 4. Reason: We consider that this is a key point.

	A change in accounting estimates is a normal part of financial reporting but a change in accounting policy has more significant consequences requiring restatement of previously reported financial information. IFRS 17 is not a standalone standard but is applied in the context of other standards. The point made in paragraph 2.6.2 of ISAP 4 is covered in other IAS (International Accounting Standards) and IFRS. It is potentially unreasonable to expect actuaries to be familiar with all these other standards, so we consider that including this key point in ISAP 4 is helpful.
Response	Thank you. No change.
Comment	Paragraph 2.6.2 discusses the process used to update actuarial assumptions. We believe that the ISAP should not be commenting on processes to set assumptions and suggest that the paragraph be deleted. We also think it is incorrect that a change in process to set an actuarial assumption would be considered an accounting policy change. If this reference to process is maintained, then at a minimum, the reference to accounting policy should be adjusted, and further guidance as to what constitutes "process" is needed. Suggest dropping this paragraph. Should not be commenting on the processes used to update assumptions—and the suggestion that such a change might be a change in accounting policy is incorrect.
Response	We believe that certain changes in process (e.g. change in methodology) may be considered an accounting change. The guidance does not attempt to distinguish when this is the case, but rather indicates that the actuary should discuss the matter with the principal. Other comments received supported including such a paragraph. We believe the paragraph is correct and appropriate and should remain.
Comment	This appears overly prescriptive. It implies that for any change in any part of the process of setting any assumptions, the actuary has to discuss this with the principal and check against IAS 8 giving both the rationale and the impact. Materiality and proportionality are important considerations that should be stated explicitly.
Response	Materiality and proportionality are always implicit in every paragraph. We do not believe it should be written explicitly. No change.
Comment	<u>Process for Updating Assumptions</u> – If the actuary considers it appropriate to change the process used to update a recommended assumption, the actuary should ~~discuss~~ *consider discussing* the change with the principal, including whether it would constitute a change in accounting policy or just a change in an accounting estimate as defined in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Reason - P&C actuaries generally recommend estimates and not individual assumptions, therefore, the process to update assumptions is usually just part of updating the accounting estimate. To include this process, we suggest revising the language as shown.

Response	Materiality and proportionality are always implicit in every paragraph. If material, the current wording is appropriate. No change.
Comment **Response**	The wording in this section should be clarified so that it is clearer that it relates to changes in the approach/methodology to setting assumptions rather than standard updates to assumptions resulting from a fixed methodology. Reason -Proposed change would better clarify the intended meaning of the current wording We clarified the wording.
Comment **Response**	Process for Updating Assumptions – If the actuary considers it appropriate to change the process **and / or methods** used to update a recommended assumption, the actuary should discuss the change with the principal, including whether it would constitute a change in accounting policy or just a change in an accounting estimate as defined in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The actuary should disclose in the actuary's report changes in the above processes, the rationale for the changes and their impact. Reason - A change in method is also relevant in the process of updating assumptions. We agree. Change made.
Comment **Response**	Please clarify which processes are referred to. We clarified the wording.

Paragraph 2.6.3

Comment	Replace: Paragraph 2.6.3 (including all the sub-paragraphs) With: "When advising the principal or the entity on any valuations, assumptions or judgements relating to the application of IFRS 17, the actuary should consider all the relevant factors associated with the insurance contacts that, individually or in combination, may have a material impact on the amount, likelihood or variability of the cash flows arising in respect of those contracts, in the context of the requirements and guidance set out in IFRS 17." Reason: We are unclear why the standard should include guidance on Insurance Risks only and not all other risks. We are also unsure why this particular guidance is specific to IFRS 17 and suggest that it is also relevant for all financial reporting exercises. We consider that most of the points identified in the sub-paragraphs are already included in IFRS17, as explained in the following rows.

Response	We reviewed each point individually to determine if they were included in IFRS 17. When already included in IFRS17, we made the change or deletion needed.
Comment	1) Section 2.6.3 - A further bullet should be added to the existing list with wording such as "Any other factors which could result in changes in expected future experience" 2) Section 2.6.3 - A further bullet should be added which states that any future expected management actions should be considered when setting assumptions. Any wording would ideally include guidance on the use of such management actions for example, board approval, or consistency with the regulatory reporting requirements if appropriate. Reason: Management actions are, in some regulatory regimes, considered when setting assumptions or when calculating insurance contract liabilities.
Response	This is taken into account by the stem using '***relevant factors including the following'***. The second topic is covered by paragraph 2.6.7. No change.
Comment	On the stem: 1) Non-financial Risks –When advising the principal or the entity on assumptions to measure non-financial risks, the actuary should consider relevant factors including the following. Reason - Non-financial risk is wider concept than insurance risk. All the insurance risks belong to the non-financial risk but e.g. surrending and lapsing risks don't but are non-financial. This 2.6.3. should also cover those risks because the actuary has competence in them. Related comment in 2.6.3.a Characteristics of the non-financial risk 2) Refer to "insurance risk" not "insurance risks" in the following: "Insurance Risks –When advising the principal or the entity on assumptions to measure insurance risks, the actuary should consider relevant factors including the following: " Reason: IFRS 17 term is singular, hence IFRS 17 term should be "insurance risk". 3) It is not fully clear what the section is referring to, as the measurement of insurance risks could refer to many aspects of IFRS 17. We suggest clarifying or expanding this section.
Response	Insurance risk is an IFRS 17 defined term that includes risks other than financial risks transferred from the holder. Assumptions for other than insurance risks are covered in subsequent paragraphs (i.e., maintenance expenses are covered in 2.6.5, moved to 2.6.11 in the 2nd exposure draft) and generally in ISAP 1 2.7. No change other than the use of the singular term "insurance risk".
Comment	On 2.6.3a 1) We suggest that 2.6.3.a is replaced as suggested in the row above. However, if it is not replaced: Replace "Characteristics of the insurance risk;" with "Characteristics of the insurance contracts;"

	Reason: We consider that IFRS 17 refers to the "characteristics of the insurance contracts" or the "characteristics of the insured population e.g. IFRS 17 paragraphs 33(a), B41(b), B41(c)(i) B50(a), B56(b), B78, B80 and B81. These references cover both financial and non-financial aspects of measuring insurance contracts. Therefore, we suggest that the wording is amended to reflect IFRS17 terminology, "characteristics of the insurance contracts". 2) This text is potentially unclear. For example, is insurance risk referring to specific contracts and therefore the measurement of fulfilment cash flows?
Response	We agree that the characteristics should refer to insurance contracts. Change made.
Comment	On 2.6.3b 1) The subpoints b, c and d … interpretation is difficult 2) Characteristics of the policyholder and the way the contract was sold, e.g. how the sales pitch impacts on the future policyholder behaviour; Reason: Makes the purpose of the message clearer to understand. Characteristics of the policyholder and the way the contract was sold, e.g. how the sales pitch impacts on the future policyholder behaviour;
Response	We believe that that example should be covered by an IAN. No change.
Comment	2.6.3b: We suggest this paragraph is deleted. Reason: We consider that this guidance is covered in IFRS 17 paragraph B56(b), and that it should therefore be deleted.
Response	We believe that IFRS17 B 56 only partially covers the topic as the guidance is not just about changes. No change.
Comment	On 2.6.3c and d The subpoints b, c and d … interpretation is difficult, and On 2.6.3c - Past experience of incurred claims and the **policyholder behaviour** including patterns of delays in reporting and payment and the relevance to expected future experience; Reason: The content of the paragraph is not totally clear. Can it be clarified? On 2.6.3d - Adjustments to past experience of incurred claims and the **policyholder behaviour**, including claim inflation.
Response	We believe that policyholder behaviour is just one factor impacting claims. Otherwise, educational details should be covered by an IAN. No change.
Comment	On 2.6.3d We suggest this paragraph is deleted. Reason - We consider that this guidance is covered in IFRS 17 paragraph B41(c). Inflation rate assumptions are also specifically mentioned in several places in IFRS 17 e.g. paragraphs B51, B59 and B128, as they need to be consistent with market variables.

Response	After revisiting 2.6.3 as a whole, we believe that d is simply a subset of c and deleted it.
Comment	On 2.6.3e 1) We suggest adding the text '… that might have a low probability of occurrence.' Reason: 'Extreme events' can be interpreted in different ways; it is usually referred to in respect of high severity, low probability events, which is perhaps what is being inferred here. *2)* We suggest this paragraph is deleted. If not deleted, we suggest that "extreme events" is changed to refer to "catastrophic losses". Reason - We suggest that the term "extreme events" is referred to in IFRS 17 as "catastrophic losses" and suggest that ISAP 4 should use consistent terminology as IFRS 17. However, we also consider that this guidance is covered in IFRS 17 B40.
Response	We agree that using the IFRS terminology (catastrophic losses) is more appropriate. However, we also believe that the guidance in IFRS 17 B40 is enough. Hence we agree with deletion.
Comment	On 2.6.3f (d in the 2nd exposure draft) 1) We believe this text is too general. For example, is it referring to the management of insurance risk/ risk mitigation practices? 2) "Practices" seems vague. Would there be specific examples of what's intended that could be added? 3) We suggest this paragraph is deleted. Reason: We consider that IFRS 17 requires that the estimates of future cash flows reflect the perspective of the entity (IFRS 17 paragraph 33 (b)) using historical data about the entity's own experience and reflecting changes in items such as underwriting procedures and claims management (IFRS 17 paragraph B41). The use of internal mortality statistics is specifically covered in IFRS 17 paragraph B50(b).
Response	We agree that the paragraph could be clearer. While we also agree with the comment that this is somewhat covered by IFRS 17, we believe that clarity is needed. To that effect, we have added 'such as underwriting procedures and claims management'.
Comment	On 2.6.3g 1) In relation to the final point in 2.6.3 on external factors, we are not clear why this is particularly relevant to IFRS 17 rather than guidance that is relevant for setting assumptions in ISAP1. Therefore, we suggest that this additional guidance is deleted. 2) (i) This is a generic point that could be included in section 2.6.1, rather than repeated in 2.6.3g (and 2.6.4e).

	(ii) We suggest replacing 'secular trends' with 'long-term trends'. Reason: (ii) The current text might not be accessible to the average reader. 3) External factors, such as secular trends and seasonal variations, and changes in the legal, economic, legislative, regulatory, supervisory, demographic, technological and social environments. SG comment: Trends can also be internal in addition to external – might refer to that in e.
Response	We agree to move that paragraph to 2.6.1 and replace secular trends with long-term trends.
Comment	Also on 2.6.3g 2.6.3g, 2.6.4e The "External factors" is much broader than ASOP 43 (see 3.6.6 of http://www.actuarialstandardsboard.org/wp-content/uploads/2014/07/asop043_106.pdf), which specifically includes consideration of factors generally known by "qualified actuaries in the same practice area" and clarifies that the actuary is not required to have knowledge of "all possible external conditions"
Response	In moving that paragraph to 2.6.1, we modified the wording to reflect comments received.

Paragraph 2.6.4.

Comment	Two suggestions for the title are made. First: "Policyholder behaviour" Reason: the paragraph only deals with assumptions where policyholder can exercise an option. Second: "Policyholder options" Reason: more specific
Response	Two commenters suggested the title be more specific. We followed the second suggestion and added "Policyholder" before "options". We also reworded the stem to improve clarity.
Paragraph 2.6.4.a (2.6.4.b in the 2nd exposure draft)	
Comment	Three changes of wording are suggested. 1.Replace "Sophistication of the policyholder" with "Likely behaviour of the policyholder" Reason: the use of the term "Sophistication" could be mis-interpreted as treating policyholders differently in an inappropriate manner, so suggest a more appropriate term to capture the point. 2. suggest new wording: 'Sophistication of the policyholder and the relative advantages of exercising any options;' Reason: to improve readability.

	3. The wording in bold should be added to the following sentence: "**Financial** sophistication of the policyholder, as well as the relative advantages, to the policyholder, or exercising any options" Reason: Proposed change would better clarify the intended meaning of the current wording.
Response	We followed the suggestions and changed the wording, replacing "Sophistication" with "Likely behaviour" and reworded accordingly. We also moved wording from 2.6.1f as explained under 2.6.1f.
Paragraph 2.6.4.b (2.6.4.c in the 2nd exposure draft)	
Comment	It is not fully clear how this text relates to policyholder options or the assessment of potential modelled outcome.
Response	We believe that how the insurance contracts are sold affects policyholder's exercise of the options. For example, contracts sold on-line versus through a broker will behave differently. No change.
Paragraph 2.6.4.c (2.6.4.d in the 2nd exposure draft)	
Comment	Three suggestions of additional wordings. Add words in bold: Significant scheduled changes in **premiums or** benefits; Reason: contractual changes in the level of premium (particularly increases) can also elicit policyholder action which affects fulfilment cash flows. Suggest adding text: 'in relation to the policyholder option' Reason: to make the text more specific to the modelling of policyholder option outcome. The wording in bold should be added to the following sentence: "Significant scheduled changes in benefits, **terms and conditions or charges**".
Response	We agreed with the first and third suggestions and changed the wording. Reference to policyholder options is already made in the title of the paragraph.
Paragraph 2.6.4.d (2.6.4.e in the 2nd exposure draft)	
	We clarified the language. No comment was received.
Paragraph 2.6.4.e (2.6.1.f in the 2nd exposure draft)	
Comment	This is a generic point that could be included in section 2.6.1, rather than repeated in 2.6.3.g and 2.6.4.e. The "External factors" is much broader than ASOP 43 (see 3.6.6 of http://www.actuarialstandardsboard.org/wp-content/uploads/2014/07/asop043_106.pdf), which specifically includes consideration of factors generally known by "qualified actuaries in the same practice area"

Response	We agree to move that paragraph to 2.6.1 in the 2nd exposure draft and modified the wording to reflect comments received.

Paragraph 2.6.4. new suggestion

Comment	2.6.4 Consider adding sub-paragraph ***(f) relevant historic experience*** Reason: Past experience would be a key consideration for setting assumptions relating to options and should be included here.
Response	We followed the suggestion and added some wordings to be more specific. It now sits in a).

Paragraph 2.6.5 (2.6.11 in the 2nd exposure draft)

Comment	2.6.5 Consider adding: **d. Inflation**
Response	We added inflation to 2.6.11.b.
Comment	2.6.5.b Clarify why "the likelihood of the realization of business plans" is relevant.
Response	The extent of future expenses would depend on the realization of business plans. We made a change to refer to past experience (which would include experience on prior business plans) and took out "the likelihood of the realization of".
Comment	2.6.5. a. - Omit Reason: Whether assumptions for future cost need to be consistent with current cost accounting is an issue of accounting judgement (e.g. if the entity applies an accounting for incurred cost to comply with statutory requirements), not an actuarial decision.
Response	Noted, but the ISAP does not say it is an actuarial decision, merely that it must be considered. No change
Comment	Replace: " 2.6.5. Maintenance Expenses – When advising the principal or the entity on the projection of cash flows for maintenance expenses, the actuary should consider relevant factors including the following: a. The entity's cost-accounting and expense allocation policies; b. Expenses expected to arise from fulfilling obligations existing on the measurement date. This estimate should consider the entity's past expenses and the likelihood of the realization of business plans; and c. Any outsourcing arrangements." With: "2.6.5 ***Costs*** - When advising the principal or the entity on the projection of cash flows for ***costs***, the actuary should consider relevant factors including the following:

       Response	a) The entity's cost accounting and expense allocation policies related to IFRS 17 b) Terms of outsourcing arrangements" Reason: We consider that the term "Maintenance expenses" is not a recognised term in IFRS17 but IFRS 17 Paragraphs B65 and B66 both refer to costs. B65 describes many different costs and B66 refers to different costs. It is unclear whether the term Maintenance Expenses is intended to cover all of these or just a sub-set. We agree that IFRS 17 does not refer to Maintenance Expenses. That term is familiar to actuaries and used in ISAP 4 to cover Costs such as Policy Administration, Maintenance and Claim Handling Costs, and Attributable Overheads. We clarified in the stem its link to the IFRS 17 terminology (B65). We agree that it is the terms of the outsourcing agreements that matter and not the mere existence thereof. Change made.
Comment **Response**	We agree that it is helpful that the actuary is reminded of the need to adhere to the relevant policies. Noted, thank you.
Comment **Response**	We consider that it may be helpful to explain why outsourcing arrangements need to be considered separately. We believe that explanations regarding outsourcing arrangements belong in educational material as opposed to in a standard. Some wording change made for clarification purposes.
Comment **Response**	We suggest that 2.6.11 (2.6.12 in 2nd exposure draft) is deleted. - We consider that if the guidance in the earlier paragraph 2.6.5 (2.6.11 in 2nd exposure draft) is amended to reference to all costs then there will be no need for this paragraph. Paragraph 2.6.5 deals with assumptions regarding future expenses while 2.6.11 deals with the proper allocation of what is mostly incurred costs. We believe they are best shown separately but believes that having the two one after the other is an improvement. Maintenance expense has been moved from 2.6.5 to 2.6.11, just before Insurance Acquisition Cash Flows (2.6.12 in the 2nd exposure draft).
Comment **Response**	2.6.5. - Consider adding the following to sub-paragraph (a): ***"…having regard to the IFRS 17 requirement that costs be directly attributable to the portfolio."*** Reason: It is important to understand what is directly attributable to the portfolio to comply with paragraph 66(d) of IFRS 17. We made wording change in the stem for clarification purposes but did not refer specifically to 'directly attributable' expenses as this is well covered under IFRS 17.
Comment	2.6.5 (i) It is unclear to us why expense assumptions are included separately from the consideration of other assumptions. (ii) It is also unclear why the specific guidance points for expenses have been chosen. For example, the impact of outsourcing arrangements is included, but using

	fixed real unit cost assumptions/ issues around expense inflation/ allowance for planned project expenditure are omitted. (iii) Furthermore, the extent to which expenses are directly allocable to contracts is open to interpretation under IFRS 17. For example, what portion of a Chief Finance Officer's costs are directly attributable to insurance contract? The text could be expanded to acknowledge this point; alternatively it could be addressed in an IAN.
Response	i) We believe that the definition of Insurance risks in IFRS 17 does not include expense assumptions. No change. ii) We added reference to inflation. Fixed unit costs are typically a by-product of outsourcing arrangements. iii) Further guidance would belong to an IAN. No change.
Comment	2.6.5 b We suggest making the text more specific '…from fulfilling **insurance** obligations…'.
Response	Suggestion accepted, and word included in 2.6.11.b in the 2nd exposure draft.
Comment	*Relevancy and Materiality* The draft model standard lists many items that may not be relevant in all cases or all assignments. We suggest including "where applicable/relevant and material" in many of the lists contained within ISAP 4. In particular, paragraphs 2.1, 2.6.1.f, 2.6.5, 2.6.8.c, and 2.10 list items that are unlikely, in our view, to be relevant in all cases or all assignments.
Response	Materiality is implied throughout the standard. No change other than adding 'such as' in the stem.
Comment	2.6.5. Maintenance Expenses – When advising the principal or the entity on the projection of cash flows for maintenance expenses or when producing cash flow estimates, the actuary should consider relevant factors including the following. Reason: We would suggest adding "or when producing cash flow estimates." The current wording only addresses the situation when an actuary provides advice on another's calculation, as opposed to producing a recommended estimate themselves.
Response	We believe that advising on a projection would include the production thereof, which is advice given. No change.
Comment	2.6.5.b - Expenses expected to arise from fulfilling obligations existing on the measurement date. This estimate should consider the entity's past expenses and the likelihood of the realization of business plans, if material; and Reason: The "likelihood of realization of business plans" may not be a material consideration for the runoff of short-duration policies.
Response	Materiality is implied throughout the standard. No change.

Comment **Response**	2.6.5.b - Expenses expected to arise from fulfilling obligations existing on the measurement date. This estimate should consider the entity's past expenses and **be consistent with business plans**; Reason: Consistency with the business plan is important. "Likelyhood of the realization" is too vague. The extent of future expenses would depend on the realization of business plans. We made a change to refer to past experience (which would include experience on prior business plans) and took out "the likelihood of the realization of".
Comment **Response**	Maintenance Expenses – When advising the principal or the entity on the ~~projection~~ **estimation** of cash flows for maintenance expenses, the actuary should consider relevant factors including the following: a. The entity's cost-accounting and expense allocation policies; b. Expenses expected to arise from fulfilling obligations existing on the measurement date. This estimate should consider **factors such as** the entity's past expenses and the likelihood of the realization of business plans; and c. Any outsourcing arrangements. We agree with both changes.

Paragraph 2.6.6 (2.6.10 in the 2nd exposure draft)

Comment **Response**	2.6.6 (a) should be deleted and even all of 2.6.6 should be deleted as the paragraphs seem to be trying to paraphrase the standard in particular B74. B74 is making a different point. No change.
Comment **Response**	The title should be changed to Contracts with Cash flows that vary with returns on underlying variables. Change made.
Comment **Response**	It would help including / changing wording in 2.6.6a to reflect that discount rate should reflect market rates. Change made.
Comment **Response**	Should pluralise discount rate. Change made.
Comment	2.6.6 a should be moved into 2.6.10 so as to bring all of discount rates into one place; we need better consistency between 2.6.6 and 2.6.10.

Response	We moved paragraph 2.6.6 right after the paragraph 2.6.9 on Discount Rates in the 2nd exposure draft to keep associated topics close together and improved the consistency in wording between the two paragraphs.
Comment **Response**	Is this intended to state that the actuaries should be selecting the rate in all cases? The actuary may not always determine the discount rate. The paragraph starts with "When advising the principal or the entity, the actuary should …" The responsibility of the actuary is covered in ISAP 1.

Paragraph 2.6.7 (2.6.5 in the 2nd exposure draft)

Comment **Response**	Replace the paragraph with: When advising the principal or the entity on assumptions to reflect entity discretion, the actuary should take into account expectations or limitations that may arise from the guidance in IFRS 17, paragraph 2. The wording of paragraph 2 of IFRS 17 is too general for this purpose. No change.
Comment **Response**	Meaning of "Discretion" or "Entity's Discretion" unclear We believe that more information about the Entity's Discretion should be provided by education material. Wording change was made in the stem to facilitate understanding.
Comment **Response**	Add policyholder contracts to the list. Guidance in 2.6.7. refers to general practices of the entity when there is room for discretion. No change.
Comment **Response**	Should it refer to the use of entity discretion (rather than just the hypothetical possibility of discretion? Wording amended.
Paragraph 2.6.7 c (2.6.5.c in the 2nd exposure draft)	
Comment **Response**	2.6.7c - The entity's current policy **with respect to benefit adjustments** Reason: IFRS 17 B98 and B99 say that the entity's current policy is relevant when assessing adjustability of benefits. ISAP4 should be consistent with this." Discretion applies to more elements than just benefit adjustments. No change.
Paragraph 2.6.7 e (2.6.5.e in the 2nd exposure draft)	
Comment	Proposed insertion: **Relevant laws and regulations and** rulings of relevant authorities. Reason: This paragraph should probably include "relevant laws and regulations," as these may not be included in the term "rulings."

Response	Wording amended to include laws as defined in the Glossary.

Paragraph 2.6.8. (2.6.6 and 2.6.7 in the 2nd exposure draft)

Comment **Response**	Make clearer distinction between what applies to reinsurance held and to reinsurance issued. We split 2.6.8 into two paragraphs (2.6.6 and 2.6.7 in the 2nd exposure draft) to provide a clearer distinction.
Comment **Response**	2.6.8 would apply to all financial reporting not just IFRS 17 therefore could be moved into ISAP 1 ISAP 1 applies to more than insurance or financial reporting work and this guidance is specific to insurance and financial reporting. No change.
Comment **Response**	Much of the content of this section is better suited in IAN 100 as it goes beyond general guidance for an ISAP. We kept the text as concise as possible to keep the text at guidance level and received support from other commenters.
Comment **Response**	2.6.8 and 2.6.12.e need reconsideration in light of TRG discussions of May 2018. As the issue relates to the risk component, this is addressed through 2.6.12.e (2.6.13.e in the 2nd exposure draft). Wording of 2.6.13e in the 2nd exposure draft was also updated.
Comment **Response**	Paragraph a (2.6.6.a in 2nd exposure draft) – Not clear what 'order' means. Wording changed to provide more clarity.
Comment **Response**	Paragraph b (2.6.6.b in 2nd exposure draft) - We consider that it would be difficult to allow for this requirement in practice. Wording should be expanded to outline how "the extent to which default by one reinsurer may affect the amounts recoverable from other reinsurers" should be assessed, or removing this paragraph. It is not immediately clear how the Actuary could practically meet the requirements of this section. This would most often be specified in the reinsurance contract, if not legal responsibility would need to be assessed. No change.
Comment	Paragraph b (2.6.6.b in 2nd exposure draft) - When estimating non-recoverable amounts, consider the financial condition of the reinsurer, **the existence of collaterals** and the extent to which default by one reinsurer may affect the amounts recoverable from other reinsurers. Reason: The eventual collaterals should be taken into account.

Response	We agree and made the change.
Comment **Response**	Paragraph c (2.6.7.d in 2nd exposure draft) – Include non-performance and partial recovery as opposed to default only by adding the word 'Potential' in front of default in (iv). Potential is covered by 'where relevant' and 'such as' means that the list is not exhaustive. No change.
Comment **Response**	It would be useful to use terminology consistent with IFRS 17 throughout, i.e., refer to reinsurance held, not ceded. Reference to ceding issuers, including retrocessionnaires could be replaced by reinsurance counterparties. We made the change to reinsurance held and to reinsurance counterparties in 2.6.6. of the 2nd exposure draft. And used intermediate reinsurers in 2.6.7 of the 2nd exposure draft to capture the cascade of reinsurers between the original contract and the reinsurance contracts issued.
Comment **Response**	Paragraph c (2.6.6.d and 2.6.7.c in 2nd exposure draft)– In (iii), the wording explicitly mentions reinstatements but doesn't mention other contract terms that may apply. If intended to be more general, perhaps "The impact of contract terms such as reinstatements, corridors, etc". We kept the focus on reinstatements and recognized its special application in reinsurance to the reinstatement of coverage after claims. Contract terms are covered under 2.6.3.
Comment **Response**	Paragraph d (2.6.6.c in the 2nd exposure draft) – The wording should be clarified. Is stochastic approach required? This point is covered in IFRS 17 B39. No change.
Comment **Response**	Paragraph d (2.6.6.c in the 2nd exposure draft) - 'When projecting cash flows over future periods…' Why use a different stem than in c. We agreed and made a change.
Comment **Response**	Add the following paragraph between c and d – *'When estimating the fulfilment cash flows of reinsurance held by the entity:* *(i) use consistent assumptions to those used to measure the fulfilment cash flows of the underlying insurance contracts, and* *(ii) include allowance for the risk of non-performance by the issuer of the reinsurance contract.* This is already covered by IFRS 17 paragraph 63. No change.

Paragraph 2.6.9. (2.6.8. in the 2nd exposure draft)

Comment	When advising the principal or the entity on the estimation of the fulfilment cash flows in multiple currencies, the actuary should reflect the expected future currency exchange rates. Reason: Consideration of anything other than currency futures would likely be highly speculative. The inclusion of a comment around uncertainty may be interpreted as suggesting that such uncertainty should be included in the risk adjustment which according to IFRS 17 paragraph 37 should only consider non-financial risk.
Response	We now refer to the current market expectations of future changes which implicitly include the uncertainty arising from currency fluctuations.
Comment	We suggest that 2.6.9 is deleted. Reason: This paragraph appears to be setting additional requirements to IFRS 17. We are unclear which part of IFRS 17 this guidance refers to. IFRS 17 does not appear to explicitly require consideration of the impact of changes in future currency exchange rates. Rather it is required that this is considered implicitly within the assessment of the discount rate, which should be consistent with observable market requirements.
Response	The paragraph has been reworded to give guidance on current market expectations of future changes in currency exchange rates on fulfilment cash flows in multiple currencies.
Comment	the actuary should reflect **current market expectations** of ~~**the expected**~~ future changes in currency exchange rates **(calibrated to current market prices)** Reason: Reference to "expected future changes . . ." implies entity's own expectations (vs. consistent with market prices).
Response	We agree that it should be the market expectation and not the entity's own expectations. We made some changes to the wording to that effect.
Comment	2.6.9. - Our team of experts does not believe that IFRS 17 requires the actuary to anticipate future changes in FX, and in what cases that is required. We recommend verifying this language.
Response	The paragraph has been reworded to give guidance on current market expectations of future changes in currency exchange rates on fulfilment cash flows in multiple currencies.
Comment	Section 2.6.9 - We think that the wording of this paragraph should be clarified – for example is this referring to modelling currency volatility for investment guarantees, or something else? If the discount rates are consistent with the currency of the cash flows does that not capture expected movements in exchange rates? Possible future

	changes in the currency exchange rates is a financial risk not an insurance risk, as such where should uncertainty be reflected? Reason: Proposed change would better clarify the intended meaning of the current wording
Response	The paragraph has been reworded to refer to current market expectations of future changes in currency exchange rates on fulfilment cash flows in multiple currencies.
Comment	2.6.9. - When advising the principal or the entity on the estimation of the fulfilment cash flows insurance liabilities in multiple currencies, the actuary should reflect the expected future changes in currency exchange rates and the uncertainty arising from currency fluctuations. Reason: As the effect of currency exchange differences adjusts the CSM, we would use the term "insurance liabilities" instead.
Response	We believe that fulfilment cash flows is the better term and is more consistent with IFRS 17 terminology. No change
Comment	Section 2.6.6a states that the actuary "should" select the discount rate, but actuaries often use rates set by others (accountants, economists, regulators, etc), which seems to be outside of what this allows? Is this intended to state that the actuaries should be selecting the rate in all cases? Similar comments apply to the FX and discount rates comments in 2.6.9 and 2.6.10. Additionally, the various components of illiquidity, FX, etc. could be a blend of rates set by the actuaries or others.
Response	The actuary may not always determine the discount rate. The paragraph starts with 'when advising the principal or the entity, the actuary should…' The responsibility of the actuary is covered under ISAP 1. No change.

Paragraph 2.6.10 (2.6.9 in the 2nd exposure draft)

Comment	The Statement of Intent (SOI) mentioned that ISAP 4 was expected to address considerations for the treatment of embedded derivatives. However we have noted that ISAP 4 does not contain much guidance on embedded derivatives.
Response	We found the guidance already in IFRS 17 and ISAP 1 to be sufficient.
Comment	We suggest that 2.6.10 is deleted. Reason: We consider that this guidance is covering points set out in IFRS 17 Paragraphs B72 – B85 and therefore we suggest that it should be deleted. We also consider that 2.6.10 appears to paraphrase the more complex requirements in IFRS 17. This wording could lead to confusion.

Response	We believe that while the paragraphs mentioned above do cover discount rates and their derivation, these points are not covered explicitly and therefore there is a need to provide additional guidance. No change.
Comment	Discount rates are discussed in both paragraphs 2.6.6 and 2.6.10, but with different wording in each. It might be clearer if 2.6.6 dealt with cash flows that vary with underlying items (including discount rates), and 2.6.10 focused on discount rates for cash flows that do not vary with underlying items.
Response	We moved paragraph 2.6.6. right after the paragraph 2.6.9 on Discount Rates in the 2nd exposure draft to keep associated topics close together.
Comment	2.6.10 - (i) We suggest changing the title to 'Derivation of…' as paragraph 2.6.6 also relates to discount rates. (ii) The paragraphs covering discount rates are difficult to understand and should be restructured to note the two fundamental approaches that can be used to derive discount rates (top-down and bottom-up approaches), and the key judgmental areas in each. Alternatively, the judgement areas could be covered in the IAN, with reference made to that within the ISAP 4. (iii) We note that no Actuarial Practice is mentioned on the bottom-up approach, whereas it could be very helpful.
Response	(i) 2.6.6 has now been moved to after 2.6.10 to link the two paragraphs while making the difference in the two easier to follow. We also revised the wording of 2.6.10 to take into consideration the comment. (ii) We agree that the paragraphs were difficult to read and have rearranged the wording and bullets to help the reader. (iii) The guidance provided can be applied to both methods. The two fundamental approaches are covered in IFRS 17, B80 and B81. No change.
Comment	**2.6.10.a (2.6.9.a.ii in 2nd exposure draft)** 1. The ISAP refers to economic scenarios. It should be clarified that these are scenarios consistent with current market prices and not the entity's own expectations. 2. When deriving the discount rates applied to cash flows beyond the period for which observable market data is available, consider what would be the rates from the perspective of a market participant, i.e. the rates at which market participants would be ready to invest or borrow money for those periods consider how current rates would be expected to evolve over time; Reason: The wording in the exposure draft suggests that the actuary should make a prediction on what will be the rates in the future to determine the discount rates after the observable period. This seems to be contradictory to IFRS 17 since it should reflect current market conditions from the perspective of a market participant (paragraph B78b). So it should be the rates at which current market participants (not the entity's nor the actuary's view) would be ready to invest money for the long term at no risk. It is therefore the extension of the current observable interest rate curve.

	3. We think that the wording "beyond the period for which observable market data is available" should be reworded as "beyond the period for which observable data from deep and liquid markets is available". This should be reviewed for consistency with the requirements of IFRS 13. Reason: Proposed change would better clarify the intended meaning of the current wording. 4. When deriving the discount rates applied to cash flows beyond the period for which observable market data is available, use extrapolation techniques that maximize the use of observable market data and are consistent with economic expectations; Reason: "expected to evolve over time" is different from a forward rate. We need a forward rate (or a spot rate derived from this forward rate). 5. When deriving the discount rates applied to cash flows beyond the period for which observable market data is available, consider how current rates would be expected to evolve over time; Comment: It isn't just observable – they have to be reliable as well. For example, there might be a 100-year bond issue, whose results may not be credible or relevant. 6. Paragraph B78a of IFRS 17 says that an entity shall maximize the use of observable inputs and that the discount rates shall not contradict any available and relevant market data. IFRS 17 somewhat permits to exclude observable information if it is not relevant or reasonable. Moreover paragraph B44 restricts it a lot by adding that an entity shall not substitute its own estimate for observable market data. ISAP 4 would be helpful in giving guidance to actuaries when rejecting observable information. As an example, if there exists risk free government bonds in a country with a duration of 50 years but with a low trading volume, should the actuaries consider it or not? We are of the opinion that if no further guidance is given, the range of practice may be too wide amongst countries and also within a specific country.
Response	We have reworded "beyond the period for which observable market data is available" to "beyond the period for which observable data from deep and liquid markets is available". The revised wording makes it clearer that any extrapolation required should be related to available market expectations.
Comment	This section provides very little guidance on general considerations for extrapolation of the yield curves. However we note that this could be addressed in the IAN.
Response	We agree that this would be better covered in the IAN.
Comment	Section 2.6.6a states that the actuary "should" select the discount rate, but actuaries often use rates set by others (accountants, economists, regulators, etc), which seems to be outside of what this allows? Is this intended to state that the actuaries should be selecting the rate in all cases? Similar comments apply to the FX and discount rates comments in 2.6.9 and 2.6.10.

	Additionally, the various components of illiquidity, FX, etc. could be a blend of rates set by the actuaries or others.
Response	The actuary may not always determine the discount rate. As such, the paragraph starts with 'when advising the principal or the entity, the actuary should…' The responsibility of the actuary is covered under ISAP 1.
Comment	**2.6.10.b (2.6.9.a.ii in 2nd exposure draft)** When deriving the discount rates applied to cash flows of insurance contracts, which depend on the returns of the entity's invested assets, consider the entity's investment policy as well as actual and past assets held and in which proportion, taking into account the entity's communications to various stakeholders and with due regard for anticipated policyholder behaviour; Reason: Usually, investment policies give leeway for investment with ranges for investments in some assets classes. It would not be a good practice to assume that investments in some assets classes are always at the top of the range as an example if past practice has been different than that.
Response	We agree with the point and have adjusted the wording above by adding "as applied in practice".
Comment	2.6.10 b - This text appears to be referring to the discount rate for participating contracts (linked to paragraph 2.6.6). However, the underlying items may not be invested assets and there is no reference to 'market consistent' type considerations as noted in our above response to 2.6.6.
Response	We have added wording consistent with paragraph 2.6.10.a in the 2nd exposure draft.
Comment	It was not clear to us what the following phrase referred to: "with due regard for anticipated policyholder behaviour". For example, is it referring to changes in asset mix or the liquidity of the insurance contract? Reason: Proposed change would better clarify the intended meaning of the current wording
Response	The impact of anticipated policyholder behaviour will depend upon the contract and on the policyholder options being considered. The wording has been altered to remove "with due regard for" and replace it with "where applicable" to make it clearer.
Comment	When deriving the discount rates applied to cash flows of insurance contracts, which depend on the returns of the entity's invested assets, consider the entity's investment policy, taking into account the entity's communications to various stakeholders and with due regard for anticipated policyholder behaviour; and

	Reason: I would add ", where applicable" – e.g. such behavior is not relevant for claims liabilities.
Response	We agreed and made changes to the wording.
Comment	When deriving the discount rates applied to cash flows of insurance contracts, which vary based on the returns of underlying items consider either using risk neutral discount rates combined with a risk neutral projection of the underlying item or real world discount rates combined with a real world projection of the underlying item; and Reason: The original text suggests that always a real world approach should be used, but the standard leaves this open. See B74 and B77. There are submissions to the Transition Resource Group (TRG) that were rejected on the basis that they are actuarial in nature. We are of the opinion that ISAP 4 should address those issues. In particular, the question of "Risk neutral" vs "Real world" stochastic scenarios (see TRG's submission log #S14 and #S37 for May meeting). We understand that the IAN can address some of those, but IANs are not as mandatory as the ISAP.
Response	The guidance in 2.6.10.b refers to the investment policy of the entity and the factors impacting its application and not investment returns per se. No change.
Comment	**2.6.10.c (2.6.9.b. in 2nd exposure draft)** Add a point/principle discussing mapping the illiquidity premium observed from market instruments to the illiquidity premium of the related insurance cash flows. Reason: It will require some judgement from the actuary to figure out how the illiquidity of financial instruments relates to the illiquidity of insurance cash flow.
Response	The wording above has been adjusted by adding "to the relevant liabilities" to the end of 2.6.9.b.i. in the 2nd exposure draft.
Comment	There are several sections in the ISAP where an illustrative list is provided to emphasize a point. The ISAP should make clear that these lists are illustrative only, and that other considerations are also appropriate. This can be achieved by adding the qualifying words "including but not limited to" when describing the lists or examples. An example of this is paragraph 2.6.10c(ii) which references the use of credit default swaps (CDS) as a consideration in estimating the illiquidity premium. This can be read as a requirement to consider CDS, and it should therefore be clarified that this is just one possible consideration, and that IFRS 9 techniques or other considerations might also be applicable. 2.6.10.c - When deriving the illiquidity adjustment for the discount rate, consider: i. Approaches that are robust and that should be able to be applied reliably over time and under a variety of market conditions; and ii. Available market data (e.g., credit default swap spreads) when deducting a credit or default allowance from observed asset yield rates; and/or

	The entity's approach to applying IFRS 9 impairment provisions. Reason: Make it clearer that the credit default swaps are just one example. It may also be helpful to mention IFRS 9.
Response	We agreed and made changes to the wording.
Comment	2.6.10 c – i This section considers only the 'bottom-up' discount rate approach in IFRS 17; we believe it should set out consideration for both top-down and bottom- up approaches. We suggest that the wording 'when deriving the illiquidity adjustment for the discount rate' is amended to better reflect the wording of IFRS 17. 2.6.10 c ii - Using CDS spread is only one of many methods/reference points to determine a credit risk allowance to deduct from asset yields (as noted in IFRS 17 B85). We suggest referencing more than one method as set out in the draft IAN 100 to give balance to the considerations available.
Response	i) We believe that this paragraph applies to both top down and bottom up approaches. ii) We have also altered wording for second point to add in a number of possible methods.
Comment	2.6.10 c.i: Although I agree that this should be robust, shouldn't all measurement be robust? Why should this particular estimate be focused out on this?
Response	We consider that the wording is helpful. No change.

Paragraph 2.6.11 (2.6.12 in the 2nd exposure draft)

Comment	Suggest combining 2.6.5 and 2.6.11.
Response	Paragraph 2.6.5 deals with assumptions regarding future expenses while 2.6.11 deals with the proper allocation of what is mostly incurred costs. We believe they are best shown separately but believes that having the two one after the other is an improvement. Maintenance expense is being moved to just before Insurance Acquisition Cash Flows.
Comment	In addition, we consider that the guidance on consistency is covered by ISAP 1 2.7.6 and that the Basis for Conclusion paper BC181 to BC184 provides additional guidance.
Response	ISAP 1 2.7.6: "*Internal Consistency of Assumptions and Methodology – The actuary should determine if the assumptions and methodology used for different components of the work are materially consistent, and that any significant interdependencies are modelled appropriately. The actuary should disclose any material inconsistencies in any report.*" IFRS 17 B65e provides the overall discussion on acquisition costs: The insurance cash flows within the boundary of the contract should include; "an allocation of

	insurance acquisition cash flows attributable to the portfolio to which the contract belongs." This is further discussed in BC 175 to BC 184. Although ISAP 1 does talk about consistency, it deals only with assumptions and methodology and here the consistency is about an allocation between portfolios. No change.
Comment	Insurance Acquisition Cash Flows – The actuary should be satisfied that the allocation of insurance acquisition cash flows is made on a consistent basis to each ~~**portfolio**~~ **group** of insurance contracts. Reason: Insurance acquisition cash flows are allocated to groups, not portfolios. Insurance acquisition cash flows are attributed to portfolios. So either change "allocated" to "attributed" or change "portfolio" to "group".
Response	The definition in IFRS17 is: "Cash flows arising from the costs of selling, underwriting and starting a **group of insurance contracts** that are directly attributable to the **portfolio of insurance contracts** to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or **groups of insurance contracts** within the portfolio. We opted for directly attributable rather than allocated and kept portfolio. See next comment and response for more information.
Comment	1) The insurance acquisition cash flows should 'approximate' actual acquisition costs. Reason: The phrase "should replicate" implies greater precision than we see when providing estimates. We suggest revised language. 2) Comments on actual: there are concerns that this may imply that overruns are not allowed. Actual may also include indirect costs and lastly the wording may imply that "distribution-type intangibles (e.g. market access fees), are not allowed, However their amortisation would be a permitted cashflow under IFRS 17."
Response	1) We deleted reference to 'replicate' as it is already implied by 'allocating on a consistent basis'. 2) Overruns are already covered in IFRS 17 BC184: "no amount can be recognized in the statement of financial position for insurance acquisition cash flows that are not recoverable." No change.
Comment	The insurance acquisition cash flows should replicate actual acquisition costs directly attributable to the portfolio to which the contract belongs. Reason: Insurance acquisition cash flows should only replicate actual acquisition costs relevant to the liability measurement consistent with the IFRS 17 definition. This may not be all acquisition costs incurred.
Response	We did not refer specifically to 'directly attributable' expenses as this is well covered under IFRS 17.
Comment	This paragraph should clarify whether the allocation of insurance acquisition cash flows should be made on a consistent basis over time or between portfolios/groups of products.

	Reason: Proposed change would better clarify the intended meaning of the current wording.
Response	IFRS 17 is referring to allocation to portfolio of contracts not to allocation over time. No change.

Suggested New Paragraph 2.6.11

Comment	Add a new paragraph 2.6.11. and renumber the subsequent paragraphs. 2.6.11. Financial Risks - related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows … which risks are included in the discount rate and which in the cash flow adjustments … Reason: We ask the task force to write and complete appropriate text on this issue. See IFRS 17.32(a)(ii). Considering only discount rate is insufficient.
Response	The text from IFRS 17.32 (a) (ii) is: "On initial recognition, an entity shall measure a group of insurance contracts at the total of: (a) the fulfilment cash flows, which comprise: (i) estimates of future cash flows (paragraphs 33–35); (ii) an adjustment to reflect the time value of money and the *financial risks* related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows (paragraph 36); and (iii) a *risk adjustment for non-financial risk* (paragraph 37). IFRS 17.37 deals with discount rates and has the following stem: "*An entity shall adjust the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows.* " This paragraph already discusses that financial risks are included in the estimates or in the discount rate. In addition, IFRS 17 B74 states: "*Estimates of discount rates shall be consistent with other estimates used to measure insurance contracts to avoid double counting or omissions; for example:*" As a result, we believe there is no need to include the suggested wording. Hence a new paragraph was not added.

Paragraph 2.6.12 (2.6.13 in the 2nd exposure draft)

Comment	Risk Adjustment for Non-Financial Risks – When advising the principal or the entity on the risk adjustment for non-financial risks separately for the gross risk and the risk mitigation by the reinsurance, Reason: The amendment emphasizes that both risk adjustments are needed and only considering the existent situation with the existent reinsurance is not sufficient.
Response	This suggested addition repeats an IFRS 17 requirement – no change.

Comment	**Paragraph 2.6.12.a** 1. We suggest this paragraph is deleted. Reason: We consider that paragraph 2.6.12 appears to be interpreting IFRS 17 and creating more onerous requirements. In relation to sub-paragraph a) we do not consider it necessary to include this guidance. While it would be difficult to satisfy the requirements of IFRS 17 if you did not understand the risks you were measuring we do not consider it necessary to explicitly identify those risks where they are implicitly included in the data, methodology and assumptions used. 2. Identify the non-financial risks inherent in the insurance contracts, if material; Reason: We suggest adding "if material" since there are a vast number of "non-financial risks" if one wants to be excessively granular.
Response	1. We changed "identify" to "understand" to address the concerns. 2. Materiality is implied throughout the whole ISAP.
Comment	**Paragraph 2.6.12.b** **1** **i** - Clarify the meaning of "compensation risk", or add this term to the glossary. **2** It may be more appropriate to add the word "relevant" as below. i. Take into account any relevant diversification benefit the entity includes in its compensation risk Reason: We are concerned that " any diversification" may impose too extensive requirements. **3a** **i -** We suggest this paragraph is deleted. Reason: We consider this guidance is covered in IFRS 17 paragraph B88 a). **3b** **ii** - We suggest this paragraph is retained in ISAP 4. Reason: We consider this guidance appears to be educational material additional to IFRS 17, which is helpful. **4** **i** - Take into account any diversification benefit the entity includes in ~~**its compensation risk**~~ **the compensation it requires for bearing the uncertainty in future cash flows resulting from non-financial risk** Reason: Increased clarity. **5** **ii** - Consider the following amendment: *Consider sources of ~~relevant~~ information* ***relevant to the compensation the entity requires for non-financial risk.*** *~~such as the entity's capital management, risk management and pricing policies.~~* Reason: The IASB's May TRG meeting (paper AP02) was unclear on the theoretical basis for setting the risk adjustment and IASB staff implied that capital and risk management policies on their own may not be relevant. This is still open to debate and interpretation but suggest removing the explicit references for this ISAP.

	6 **i** - Take into account any diversification benefit for the entity; and Reason: The use of "compensation risk" is not clear. Is this phase an attempt to define the risk adjustment that compensates the insurer for the risk? We suggest revised wording to eliminate this phrase. **7** Section 2.6.12 b. i. The word in bold should be added to the following sentence: "i. Take into account any diversification benefit the entity includes in its compensation **for** risk; and" **8** What is "compensation risk"
Response	**1, 2, 4, 6, 7 & 8** We have revised the wording. **3a** We agree that paragraph **i** could be seen as repeating B88(a) but believe that, in the context, the guidance is helpful in highlighting and differentiating that, unlike most estimates, this one will change when the level of consolidation changes. Change made to make that point clearer. **3b** Thanks. No change. **5** This is actuarial guidance, not accounting guidance. No change.
Comment	**Paragraph 2.6.12.c** **1** **i** Paraphrases IFRS 17 – see full comment under 2.6.12 **2** **ii** - I am not sure if this is true. I thought it would be acceptable to calculate risk adjustment at an aggregate entity level and then allocate down, but this sentence seems to imply that this approach is not acceptable **3** **ii** - You may refer to GICs or to assumptions applied to differentiate the measurement between GICs. Reason: The PIC has no relevance for measurement, and particularly not for the risk adjustment. In early drafts years ago in the project, the PIC was the unit of account for the risk adjustment but that was not included in IFRS 17. Today, the PIC is only one of the aspects in deciding whether two newly written contracts are permitted to be grouped together in one and the same GIC. **4** We suggest this paragraph is deleted. Reason: We consider this guidance is creating additional requirements to IFRS 17 and should be deleted. This paragraph appears to be paraphrasing IFRS 17, which may lead to confusion and potentially could be regarded as an interpretation of IFRS 17. For example, the purpose of the reference to "portfolios of insurance contracts" is unclear since IFRS 17 refers to "the measurement of a group of insurance contracts" (e.g. IFRS 17 paragraph 33), which are then adjusted for the risk adjustment (IFRS 17, paragraph 37). **5** **ii** - Consider removing this sub-paragraph Reason: This sub-paragraph implies that the risk adjustment should be determined at portfolio level which is not the case and IFRS 17 does not prescribe the level of granularity used to set the risk adjustment. **6** Select a methodology that:

	i. Uses assumptions that are consistent with those used in the determination of the corresponding estimates of future cash flows; and ii. Is granular enough to reflect the risk differences between the portfolios of insurance contracts; iii. Reflects properly any diversification effects. Reason: The methodology should also allow for appropriate diversification effects "Is sufficiently granular to reflect differences in risk" is somewhat better English.
Response	**1** This is not paraphrasing IFRS 17, this is a requirement of sound actuarial practice. No change. **2** There is no intention to prevent a top-down approach. We reworded **ii** to avoid this interpretation. **3, 4 & 5** The reference to Portfolios rather than Groups is deliberate. Since Portfolios comprise similar Groups, there is no actuarial reason to distinguish between methodology for Groups within a Portfolio. **4** This is not paraphrasing IFRS 17 paragraph 33 combined with 37. The focus here is on assumptions not measurement, where assumptions/methodologies can be determined at a higher level than groups. No change. **6** The rewording of **ii** and addition of **iii** address this issue.
Comment	**Paragraph 2.6.12.d** **1** Paraphrases IFRS 17. **2** Paragraph 2.6.12.d - We suggest this paragraph is deleted. Reason: We consider it is unclear what this is referring to in relation to the risk adjustment compared with what would be covered by the variable fee approach. This wording could lead to confusion. **3** Add "as applicable", as this does not apply to claims liabilities.
Response	**1** We do not see any clear corresponding requirement in IFRS 17. **2** Not all such mechanisms are measured under VFA. **3** Claim liabilities are included, for example, in retrospective experience rating, profit sharing, etc, in General Insurance and reinsurance. No change.
Comment	**Paragraph 2.6.12.e** **1** Paragraph 63 says "…the entity shall include in the estimates of the present value of the future cash flows for the group of reinsurance contracts held the effect of any risk of non-performance by the issuer of the reinsurance contract…" which suggests that the adjustment for reinsurer does not belong in the risk adjustment, and I am not aware of any other interpretation from the IASB that states otherwise. **2** Risk adjustment - Can the current wording in the paragraph be elaborated to make in clear what to include of the Risk Adjustment according to this paragraph

compared to the cash flows. This might be interpreted as the same can be included twice in the calculation.

3 Delete

Reason: IFRS 17 paragraph 64 states the risk adjustment for reinsurance contracts held represents risk being transferred "to the issuer of those contracts". Whether reinsurer non-performance risk is a component risk transferred to the reinsurer should be left open to interpretation. As such, non financial risks to be included in the risk adjustment are identified following 2.6.12.a. The inclusion of the risk of non-performance in the measurement of the risk adjustment will follow where relevant.

The TRG also clarified that the risk of non-performance should not be considered in the risk adjustment for non financial risks: "Paragraph 63 of IFRS 17 explicitly requires the effect of any risk of non-performance by the reinsurer to be included in the estimates of the present value of the future cash flows. Applying paragraph 64 of IFRS 17, the risk adjustment for non-financial risk represents the amount of risk being transferred by the entity to the reinsurer."

4 We suggest this paragraph is deleted.

Reason: We are unclear whether this point refers to the calculation of the risk adjustment in respect of the insurance contracts or reinsurance held. We consider that there is a risk that this guidance is an interpretation of IFRS 17 rather than explaining an application.

5 Paragraph 2.6.12e (non-performance risk for reinsurers) should be deleted, as the IASB staff have clarified that reinsurer non-performance risk is not included in the risk adjustment for non-financial risk.

6 Consider the following amendment:

Assess the uncertainty ***of assumptions used to calculate estimates of future cash flows relating to*** *~~caused by~~ ~~the~~ potential of non-performance by reinsurers within the risk adjustment for non-financial risks;*

Reason: Non performance risk is included in the future cash flows. The risk adjustment should only allow for the uncertainty in this estimate. As currently worded, this is not clear.

7 The risk adjustment is measured and assessed separately for gross and reinsured components. The gross risk adjustment should not allow for uncertainty in reinsurance recovery: this is in the reinsurance-related risk adjustment. We suggest this bullet requires revision as we do not believe it is in line with IFRS 17 requirements.

8 2.6.8 and 2.6.12(e) -These paragraphs need to be re-considered in the light of TRG discussion in May, 2018. Agenda ref 07 TRG meeting May, 2018 S42: Paragraph 63 of IFRS 17 explicitly requires the effect of any risk of nonperformance by the reinsurer to be included in the estimates of the present value of the future cash flows. Applying paragraph 64 of IFRS 17, the risk adjustment for non-financial risk represents the amount of risk being transferred by the entity to the reinsurer.

	9 Note that this is within the risk adjustment of the ceded reinsurance asset. It is referred to as the "ceded risk adjustment" in f).
Response	We had substantial discussion on this point. Our understanding is aligned with the current draft of IAN 100 section 9.10. We have modified the wording to reflect the possibility of the two approaches.
	Paragraphs 2.6.12.f and g. We made some changes to the wording.

Paragraph 2.6.13 (2.6.14 in the 2nd exposure draft)

Comment	Consider adding: **e. Rollforward of the CSM**
Response	We made the change.
Comment	Change 2.6.13 a to Identification of portfolios of insurance contracts and groups of insurance contracts within the portfolios of insurance contracts;
Response	The process is to identify portfolios and then allocate contracts into groups, depending on profitability at outset within those portfolios. That is covered by sub point b, as amended.
Comment	Suggested amendments to 2.6.13.b to ensure that it is clear that portfolios are shown to have different groupings within them.
Response	We made the change.
Comment	Does this paragraph sufficiently emphasize nature and extent of actuarial input?
Response	We believe it does.
Comment	Coverage units is evolving; how will ISAP4 be kept up to date?
Response	ISAP 4 is principle based. Detailed changes, such as the evolution of the concept of coverage units, are likely to be covered through updates to IAN 100.
Comment	Does this paragraph really cover CSM or just Unit of Account / Aggregation?
Response	Change made addresses the comment.

Paragraph 2.6.14 (deleted in the 2nd exposure draft)

Comment	Delete the whole paragraph as it is paraphrasing of IFRS 17 39 and (B93-B95). We do not believe this section on business combination and portfolio transfers is in line with IFRS 17 requirements and recent TRG discussions.

Response	We agree that this paragraph is not needed. Change was made.

Paragraph 2.7

Comment	1 The section on the Premium Allocation Approach and how to determine whether a contract of term greater than one year can be included in this model, is open to interpretation and we believe the wording could be tightened if deemed appropriate. 2 It might be more appropriate to permute paras 2.7.2 and 2.7.1 to start with eligibility criteria.
Response	1 Some of the changes below may address this issue. 2 We agree. Change made.
Comment	Paragraph 2.7.1. (2.7.2 in the 2nd exposure draft) 1 **Consider the entity's recognition for insurance acquisition cash flows as expenses and determine the liability consistently with this election of whether** ~~**Be aware of whether**~~ the entity has opted to recognize insurance acquisition cash flows as expenses and determine the liability consistently with the entity's approach; Reason: The accounting for deferred acquisition costs is typically not an actuarial exercise for a P&C company, hence this paragraph is not always (if ever) relevant to an actuary doing work under PAA. The phrase "Be aware" is also used in 2.7.1. Consider rephrasing as shown. 2 Use of "whether" seems to imply that there are multiple options, but only one option is mentioned. Perhaps would be more clear to list other possibilities? 3 this paragraph repeats the requirement of IFRS 17 and is therefore arguably redundant in the ISAP. It might be more helpful if the PAA chapter of the IAN could expand on/illustrate this requirement.
Response	1 We believe that the suggested addition does not clarify the meaning. 2 We do not draw this inference from "whether". IFRS 17 is clear on the choice. 3 The requirement is for the actuary to be aware of the entity's choice. Further clarification would be repetition of IFRS 17. Nevertheless, we believe that it would be desirable to reflect the IFRS 17 requirement more clearly. Change made to better reflect IFRS 17 requirements.
Comment	Paragraph 2.7.2. (2.7.1 in the 2nd exposure draft) 1 The two approaches (PAA and general measurement) might be reasonably similar on a best estimate scenario but not when testing tail scenarios or a shock – does it need to be more clear whether this is applied on a best estimate basis or if other scenarios need to be considered. 2 Consider the following amendments:

	If the coverage period is longer than one year, assess whether the PAA is a reasonable simplification of the general measurement approach, by considering **the effect on the liability for remaining coverage of** ~~whether~~: Reason: For PAA eligibility, IFRS 17 only requires the liability for remaining coverage to be materially the same between PAA and the general measurement approach. The items listed in this paragraph are only relevant to the extent that they may in future affect the liability for remaining coverage and the comparison of the liability for remaining coverage between PAA and the general measurement approach. 3 See 2.7.2.a below comments 3 & 4 – the issue is the materiality of differences between the carrying amounts.
Response	1 IFRS 17 does not address this point. We believe that we should not add constraints that are not in IFRS 17. No change. 2 We believe that the suggested change does not add anything. No change. 3 We believe that the reference to the carrying amount would be useful. Change made.
Comment	Paragraph 2.7.2.a. 1 a The pattern of expected incurred insurance service maintenance expenses, plus the release of the risk adjustment for non-financial risks, plus the release of the CSM under the general measurement approach is materially different from the expected timing of incurred insurance revenue under the PAA; Reason: The term "expenses" in this paragraph may be misleading, as IFRS 17 includes claim payments in its term "expenses." Hence this could be clarified by adding "maintenance." b The pattern of expected incurred insurance service expenses, plus the release of the risk adjustment for non-financial risks, plus the release of the CSM under the general measurement approach is materially different from the expected timing of recognized insurance revenue under the PAA; Reason: It is not clear what is meant by the term "incurred insurance revenue." Perhaps this should be "recognized insurance revenue"? 2 2.7.2. a. - Omit Reason: These considerations are subject to accounting guidance and not required by IFRS 17. The criteria in IFRS 17.53 do not refer to specific effects in P&L as long as the carrying amount of the LRC measured under the PAA is not materially differing from that measured under the GAM. Materiality is determined in proportion to the carrying amount, not in proportion to its movements. 3 Reason: The reference to incurred insurance service expense, release from risk adjustment, release of the CSM, and PAA insurance revenue all suggest that the reasonableness of the PAA should be assessed in the context of the statement of financial performance/profit or loss. In contrast, IFRS 17 paragraph 53(a) states the reasonableness of the PAA should be assessed by considering whether the

	liability for remaining coverage materially differs between the two approaches which is instead related to the statement of financial position. Although, considering the timing of recognitions in the statement of financial performance may be an acceptable, indirect option for assessing differences in the liability for remaining coverage, it should not be considered the only available option. This concern is exacerbated by use of the strong word "should" in the opening of paragraph 2.7. The word "should" combined with this paragraph creates expectations that the actuary perform some assessment here above and beyond what is laid out by the principles of IFRS 17 which are more focused on the liability for remaining coverage. There doesn't appear to be any theoretical basis for creating this additional expectation given there are other options for assessment available, some of which are more direct. This sub-paragraph should be considered for deletion. It is worth considering replacing the sub-paragraph with wording around the statement of financial position or liability for remaining coverage. However even this replacement may even be redundant considering IFRS 17 already references the liability for remaining coverage. 4 ~~There is a reasonable expectation that~~ **any differences** between the timing of cash flows under the general measurement approach and the timing of incurred insurance service expenses under the PAA **such that they** will result in materially different adjustments for the time value of money;
Response	1a and b We clarified the wording by referring to insurance revenue as used in IFRS 17 B124. 2 We believe that some more explicit actuarial guidance is needed. We have retained that extra guidance. 3 & 4 We have reworded this sub-paragraph to more clearly reflect the wording of IFRS 17 55(b)(v) (PAA) and 41(a) (GMA).
Comment	Paragraph 2.7.2.b. 1 Reason: Similar to the discussion above regarding sub-paragraph 2.7.2.a., it is unclear how this sub-paragraph relates to the liability for remaining coverage. As such this sub-paragraph should be considered for deletion. If it is determined that this sub-paragraph is not superfluous, then it would still require refinement. Specifically, the paragraph draws a comparison between time value of money (i.e. discount) relating to the timing of cash flows under the general measurement model vs. the timing of incurred insurance service expense under the PAA. However incurred insurance service expense includes losses incurred but not reported as well as loss reported but not paid, so the timing of incurred insurance service expense is not directly relevant to the time value of money. 2 There is a reasonable expectation that differences between the expected timing of cash flows under the general measurement approach and the timing of incurred

	insurance service expenses under the PAA will result in materially different adjustments for the time value of money; and
Response	1 As a consequence of changes in the stem, we have revised this sub-paragraph. 2 Addressed in the rewording.
Comment	Paragraph 2.7.2.c 1 "will render the simplification invalid in the future." 2 There is a reasonable expectation that future assumption changes under the general measurement approach in response to emerging experience will render the simplification invalid in the future. 3 There is a reasonable expectation that future assumption changes under the general measurement approach will render the simplification invalid in the future. Reason: Future assumption changes do not need to be related to emerging experience in order to render the simplification invalid. For example, future assumptions could change due to shifts in economic or political environments regardless of actual emerging experience. 4 ~~There is a reasonable expectation that~~ any future assumption changes under the general measurement approach in response to emerging experience which ~~will~~ **may** render the simplification invalid in future.
Response	Changes were made.
Comment	1 Guidance to "Review regularly" something may not be consistent with the actuary's assignment. We suggest the wording in this section be revised to reflect it may be applicable only when required for the actuary's assignment. 2 Refer to intervals as determined by the preparer. Reason: This weakens the accounting requirements – the review is required at each reporting date, and permanently in case of contracts issued but not yet recognized. It is an accounting decision to demand less strict frequency. 3 Consider deleting 2.7.3, as it puts strong requirements on any actuary which go beyond that imposed on the reporting entity by IFRS 17, or at a minimum making the following additions: Review ~~regularly~~ the group of insurance contracts ~~to determine~~ if **facts and circumstances indicate that** it is or has become onerous and advise the principal or the entity accordingly. Reason: Under IFRS 17 the presumption at inception is that no contracts are onerous, unless facts and circumstances indicate otherwise. Thereafter IFRS 17 only requires a group to be recognised as onerous if facts and circumstances indicate that it is or has become onerous. There is no requirement for a review under IFRS 17, regular or otherwise, unless facts and circumstances require. As IFRS 17 does not formally require companies to seek actuarial advice, putting

	additional requirements on actuaries providing advice to reporting entities, is likely to lead to entities not seeking actuarial advice. If 2.7.3 is retained, the proposed deletions and additions are necessary to better align the wording to that of IFRS 17.
Response	Wording changed.

Paragraph 2.8

Comment	Revise wording to reflect that 2.6 does not refer only to cash flows but relates more broadly to measurement.
Response	Wording revised accordingly.
Comment	Delete as redundant
Response	The paragraph has been retained but reworded, to make clear to the actuary that applying the relevant requirements of 2.6 to VFA is fundamental.
Comment	Make reference to similarity to the general approach except for CSM.
Response	It is detailed under IFRS 17 how the CSM should be measured under the VFA. The text in 2.6.14 (in the 2nd exposure draft) is however applicable to both the VFA and the GMA. No change made.

Paragraph 2.9

Comment	If the actuary had become aware that presentations and/or disclosures are materially incorrect or inappropriate, the actuary should disclose that in the actuary's report.
Response	The notion of materiality is implicit in any paragraph. No change made.
Comment	Paragraph 2.9 - We suggest deleting 2.9.2. Reason: We consider that the guidance in this paragraph could be difficult to satisfy. For example: It is unclear how the timing of the different reporting would apply e.g. the actuary's report could be finalised as part of the approval of "the numbers" and this could be much earlier than the finalisation of presentations and disclosures. Is the actuary expected to re-write their report and re-present to Board? Is the actuary expected to review all of the disclosures and presentations to ensure that they are disclosed? Is this point not more appropriately covered by "speaking up" requirements in a code of conduct?

Response	We believe that if material changes make the presentations and/or disclosures incorrect or inappropriate**,** the actuary should disclose it. We made some wording changes.
Comment **Response**	2.9.2. - If the actuary has~~d~~ become aware 2.9.3. - In providing advice on the disclosures of reconciliations where the order of calculations alter**s** the information disclosed, We made the change to 'becomes' and 'alters'.
Comment **Response**	2.9.1. - Consider the following amendment: *Where the terms of the assignment are such that the information provided by the actuary ~~may~~* ***will*** *be used in financial statement presentation and disclosure, the actuary should provide all related information needed to comply with the ~~relevant~~* ***minimum*** *presentation and disclosure requirements of IFRS 17 and the entity's accounting policies.* Reason: The actuary should not be required to provide information that may not be used, or is not required as a minimum, in the financial statement presentation and disclosure. We made the change from 'may' to 'will' but felt that the word relevant was more appropriate than minimum.
Comment **Response**	2.9.2. - Consider the following amendment: *If the actuary has become aware that presentations and/or disclosures are incorrect or inappropriate, the actuary should ~~disclose that in the actuary's report~~* ***draw that to the attention of the entity.*** Reason: Usual practice would be for the entity to provide the actuary with a copy of draft financial statements and the actuary would have the opportunity to provide feedback and propose amendments before the financial statements are finalised. It would be unusual to make these disclosures in the actuary's report unless the entity had knowingly ignored the actuary's initial feedback. We made some changes to reflect a discussion to the entity and kept the disclosure in the report.
Comment **Response**	2.9.1 We do not believe it would necessarily be the case that all of the relevant information would be sourced from the actuary. We made some wording change to take out 'all'.
Comment **Response**	2.9.2 - This section could imply that the actuary oversees the entirety of the accounts. This is not usually the actuary's role, and so the scope of this reporting should be stated. We do not agree that it implies a requirement to oversee the entirety of the accounts. No change made.

Comment **Response**	2.9.1 - Where the terms of the assignment are such that the information provided by the actuary may be used in financial statement presentation and disclosure, the actuary should provide upon request the related information needed to comply with the relevant presentation and disclosure requirements of IFRS 17 and the entity's accounting policies. Reason: The term "all" in this paragraph is problematic as it can be an impossible task to provide "all" information, and "all" criteria can significantly increase litigation risk. We made some wording changes.
Comment **Response**	2.9.2. **-** If the actuary becomes aware that presentations and/or disclosures are incorrect or inappropriate, the actuary should disclose that in the actuary's report. Reason: Many times the actuary's report will be informing the financial statement, and as a result the actuary may not know whether the actuary's work is interpreted correctly. The wording deals with when or if the actuary becomes aware of something, and does not cover other situations.

Paragraph 2.10

Comment **Response**	d) Replace "represent" by "reflect" in 2.10.d as more consistent with wording in IFRS17 d) Replace "The method used .." with "The method that would have been used …" We agree and made the change.
Comment **Response**	Stem - Change "… on whether the retrospective approach …." with "…on whether a full retrospective application of IFRS17 is …" as "retrospective approach" is not a defined term in FRS17 We agree and made the change.
Comment **Response**	The guidance on transition applies only for actuaries when they advise on not to use the retrospective approach. ISAP 4 could be enhanced by adding guidance on how to apply the modified retrospective approach or the fair value approach in the context of insurance contracts. The Fair Value Approach is well covered in IFRS 13 (knowledge of IFRS 13 when dealing with FV is noted in paragraph 2.1.a as an example of required knowledge). The modified retrospective approach is defined in IFRS 17 with how to apply it. No change made.
Comment	Replace 2.10.c "The availability of sufficient data to determine the initial assumptions and subsequent changes that would have been made over the lifetime of the various insurance contracts" with

	"*The availability of sufficient data to determine which initial assumptions and subsequent changes that the actuary at the time would have advised and the entity adopted ~~been made~~ over the lifetime of the various insurance contracts, without the benefit of hindsight*". Change suggested to reflect importance of ignoring hindsight.
Response	We agree to include the phrase "without the benefit of hindsight". We do not agree that adding the phrase "actuary at the time" adds value.
Comment	1. 2.10 should include reference to methods to be used if "full retrospective" is impracticable either by adding in reference to IAN or directly in the ISAP. 2. The guidance on transition applies only for actuaries when they advise on not to use the retrospective approach. ISAP 4 could be enhanced by adding guidance on how to apply the modified retrospective approach or the fair value approach in the context of insurance contracts.
Response	By design the ISAPs do not refer to any IANs. The alternatives are set out in IFRS 17 and it is not the role of ISAP 4 to repeat IFRS17, or recommend a specific approach. No change made.
Comment	Unclear whether 2.10 is referring to full or modified retrospective approach.
Response	Wording changed to make it clearer.
Comment	Suggested addition of considerations actuary takes into account – e.g., practicability of obtaining past data, ability of current models to use past data etc.
Response	Such considerations should be covered in the IAN not ISAP.
Comment	2.10.e should be split into 2 sub-bullets separating hindsight and how management discretion / actions are incorporated.
Response	We kept one bullet but changed the wording for better clarity.
Comment	2.10.c Replace "various" by "applicable". Deleted various. List of many items that may not be relevant in all cases or all assignments.
Response	Changed including to 'such as' in line with the other lists.

Paragraph 3.1

Comment	Paragraph 3.1 Replace "3.1 Disclosures in the Report" with "3.1 Communication in relation to IFRS 17"

	Reason: We consider that there is a risk that ISAP 4 is creating a requirement for the actuary to always produce an internal report even though this is not required by ISAP 1 paragraph 3.2. We therefore suggest that the guidance is slightly re-worded so that it is clear that this guidance is clarifying how to apply the Communications requirements of ISAP 1 and 1A to IFRS 17.
Response	3.1. describes disclosure requirements relevant specifically to actuary's report. No additional requirement should arise. We added an additional reference to the report and highlighted the term as a Glossary term.
Comment	3.1.2. The rationale and impact of any changes in approaches, **if material**, including
Response	Materiality is implied throughout the whole ISAP. No change made.
Comment	This is a list of items. It is not clear why these have been selected.
Response	3.1.2 refers to the requirement for reporting set out in ISAP 4, as done in other ISAPs.
Comment	3.1.2.a. - To the extent that section 2.4 is revised in accordance with the recommendation above, consider appropriate edits for section 3.1.2.a.
Response	Change made.
Comment	a) Should contract boundaries be included in this list b) The identification of insurance contracts, <u>combination of the insurance contracts</u>, the separation of components, the recognition, derecognition and modification of insurance contracts (2.4.);
Response	Section 2.4 updated to include contract boundaries. 3.1.2.a refers now to 2.4 more directly.
Comment	3.1.2.c. added and renumber the sequential paragraphs c. The determination of the risk adjustment; Reason: The RA is an important item and its actuarial advices need thorough reporting.
Response	Disclosure for the RA is covered by 3.1.1. No change made.
Comment	3.1.3. - Delete Reason: Refer to comments above on sub-paragraph 2.6.12.g.ii. (*which is: Any actuarial technique (whether relating to IFRS 17 or not) has inherent uncertainty. This includes direct use of a confidence level in determining the risk adjustment. As such, it is unclear what the value in such a disclosure would be. This paragraph should be considered for revision or deletion).*

Response	There is an explicit requirement for such a disclosure in IFRS 17 and therefore guidance is needed. No change made.
Comment	Should significant judgements (by the actuary) in applying IFRS 17 be included as disclosures here? Reason: This is not the same as a change in assumption or method, which is already listed.
Response	The use of judgement is covered in ISAP 1 and implicitly in 3.1. No change made.

Glossary

Comment	Anti-selection - Delete Reason: The only place where this is used is ISAP 4.2.6.1.f. which also should be deleted. See comment for that.
Response	The term “anti-selection” is now in ISAP 4 2.6.4.b. and used as an example of likely behavior of the policyholder. We believe it is still helpful in the Glossary. No change made.
Comment	General Measurement Approach: The term chosen is unusual. IASB itself refers to “general model” (model not approach) or “general accounting model” (since it does not refer only to measurement but to all aspects of accounting). Further, it is hard to define such a model precisely. E.g. would the approach applied for reinsurance held and investment contracts with DPF be included? Presentation approaches for OCI, particularly peculiarities of indirect par etc.? Better refer to “general measurement model” according to the general principles as outlined in IFRS 17.32-44.
Response	We believe the word model could be misinterpreted to actuaries and that approach is a better term.
Comment	**Option 1:** delete this term entirely and remove all references from ISAP 4. **Option 2:** Change Glossary to say, “General Measurement Approach (ISAP 4) – This term is used in ISAP 4 to refer to the basis for measuring insurance contracts as set out in IFRS 17 paragraphs 32-52 based on the valuation of fulfilment cash flows and a contractual service margin, which applies to all insurance contracts. In some circumstances IFRS 17 permits use of a simplified approach: the Premium Allocation Approach. For contracts with discretionary participating features, the valuation of insurance contracts using the General Measurement Approach may be adjusted by the Variable Fee. Reason: We consider that the term “General Measurement Approach” isn’t used in IFRS 17 so, if the term is used, the Glossary should be clear that this term has been developed for ISAP 4 rather than that it has been taken from IFRS 17. The definition as written is may be misleading as it implies that the “General Measurement Approach”, Premiums Allocation Approach and the Variable Fee “Approach” are alternative measurement bases. Rather the “General Measurement

	Approach" applies to all insurance contracts, however, in some specified circumstances it is permitted to use the Premium Allocation Approach as a simplification to approximate the "General Measurement Approach". The Variable Fee Approach is an adjustment to the contractual service margin based on the fulfilment cash flows for future service and the fair value of underling items, which may be used for some groups of contracts with discretionary participating features. Note the term "Variable Fee Approach" does not exist in IFRS 17 so if used in ISAP 4 it would be helpful if it was defined in the ISAP Glossary – see below. We consider our suggested change Option 1 is preferable, but Option 2 may be easier to apply.
Response	Regarding option 1, we believe that a definition is helpful as reference in various places in the ISAP. Regarding option 2, we agree that it should be clear that the 'general measurement approach' is used for the purpose of ISAP 4 and that the other two approaches are a simplification or modification. The Glossary identifies the definition as being for ISAP 4 purposes and ISAP 4 uses the word with blue underline to indicate that it is an ISAP term. We made changes to clarify that the two other approaches are a simplification or modification.
Comment	Omit reference to IFRIC Reason: The reference to IFRIC is very proactive. There is no expectation of an IFRIC for long years. In addition, they form an own volume of work and should not be combined with the reference to IFRS 17. More important are connections of IFRS 17 with other IFRSs, since an IFRS must not be applied in isolation.
Response	Whilst it is true that there are currently no IFRIC interpretations, there is a possibility that there will be. It is covered by inclusion of the phrase "issued through {MONTH YEAR}. No change made.
Comment	Delete or make clear that this is not a term in IFRS 17. Also do not refer to the PAA unless its use in connection with the VFA is clarified.
Response	The Glossary identifies the definition as being for ISAP 4 purposes and ISAP 4 uses the word with blue underline to indicate that it is an ISAP term. Given the common use of the term, it is retained in the glossary.