



Deadline: 30 April 2019

Please use this template to comment on the [2nd Exposure Draft of ISAP 4 on IFRS 17 Insurance Contracts](#), and the proposed revisions to the [Glossary for ISAP 4](#).

The IAA invites comments on this 2nd Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

- (a) Are comments on the questions as stated;
- (b) Take full account of what is already addressed in the [consultation report on the 1st exposure draft](#).
- (b) Indicate the specific paragraph or group of paragraphs to which they relate;
- (c) Contain a clear rationale; and
- (d) Include any alternative that the IAA should consider, if applicable within the scope of the [Statement of Intent for ISAP 4](#).

	Identification and instructions	
Name of Individual:	Please indicate if your comments are personal, or represent your organization:	Gábor Hanák, personal
Name of organization		
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	
Instructions for filling in and sending the template	<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not write in the yellow shaded cells ⇒ Write in the white cells ⇒ When commenting on a specific paragraph: <ul style="list-style-type: none"> ○ Please use a separate row for each paragraph, sub paragraph, or bullet. ○ Please include the full reference in the first column such as “Introduction 3rd paragraph 2nd bullet” or “2.6.1.b.ii” ○ Please insert/append extra rows as needed. <p>Please send the completed template, renamed with the organization’s or individual’s name, attached in <u>Word Format</u>, to ISAP4.comments@actuaries.org</p>	



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	Specific Questions asked by the ASC	Response
Q1.	Is the guidance clear and unambiguous? If not, how should it be changed?	
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	Not always. See the comment on 2.6.9.a.i. below

	General Comments on the ISAP 4 – 2 nd Exposure Draft	

Comments on specific paragraphs of the ISAP 4 - 2 nd Exposure Draft		
Full paragraph reference	Change proposed to the paragraph (markup preferred)	Reason the change is needed (can be kept very brief or left blank if obvious from the change)
Introduction last paragraph 1 st bullet	Facilitate convergence in standards of actuarial practice in connection with IFRS 17 within and across jurisdictions	<p>I disagree with removing „standards of” as proposed by the 2nd ED. I think it should not be a goal for the IAA to facilitate convergence in actuarial practices, however, it would be a good achievement for the IAA if the standards issued by standard setters tended to converge in relation to IFRS 17. As the economic, legal and social environment of the jurisdictions of the IAA Member Associations are different so are the insurance products and consequently actuarial practices can also legitimately differ even when applying IFRS 17.</p> <p>I understand there was a criticism of the text in the 1st</p>



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		ED; however, I do not think that criticism was valid (page 8 of the ASC's report). I think ISAP 4 may serve convergence of standards even within one jurisdiction, e.g. if there are more than one standard setter that issue relevant standards. An example could be an EU member state where EIOPA and the national supervisor set non-binding guidance and the actuarial profession sets actuarial practice standard. If ISAP 4 is available then it is likely that such standards will be "converging".
1.7	This ISAP is effective for {actuarial services performed/an actuarial services commenced/actuarial services performed with respect to IFRS financial statements for a reporting period ending} on or after [Date]	The IFRS reporting includes more than one statement (i.e. at least the balance sheet and the income statement). See all the quotes in the Glossary. In spite of the Response to the issue raised (page 10 of the Report), I still believe plural is appropriate.
2.6.9	In this sentence the verb ("consider") is so deeply embedded through the stem, the first and second level bullets that it is very difficult to understand the meaning. Try a formulation that is easier to comprehend.	
2.6.9.a.i.	The draft ISAP 4 provides guidance about what the actuary should consider in case observable data from a deep and liquid market is available. (By the way, would data imply singular or plural? I feel plural would be more appropriate.) However, there is no guidance what the actuary should consider when that is not the case, i.e. no observable data from a deep and liquid market is/are available.	
2.6.11	When advising the principal or the entity on the estimation of cash flows for maintenance expenses such as policy administration, maintenance and claim handling costs, and attributable overheads, the actuary should consider relevant factors such as:	I disagree with removing „relevant” as proposed by the 2nd ED. Using it is useful part of the guidance. The main guidance should be to use factors that are relevant and this main guidance can be further



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		enlightened by the “such as” list. See this principle in action in 2.6.3 and 2.10.
2.7.1	when assessing whether material differences between the respective carrying amounts of the liability for remaining coverage under the PAA and the general measurement approach are reasonably expected to arise	The addition is needed to be compliant with IFRS 17

Comments on specific definitions in the Exposure Draft of the updated Glossary

Note that only the proposed revisions are open for comment

Defined Term	Change proposed to the definition (markup preferred)	Reason the change is needed (can be kept very brief or left blank if obvious from the change)
General Measurement Approach	The basis for measuring insurance contracts set out in IFRS 17, except where IFRS 17 permits a simplification (in the case of the premium allocation approach) or requires a modification (in the case of the variable fee approach)	The VFA is not an optional but the required measurement approach for insurance contracts with direct participation features
Variable Fee Approach	The approach that is a modification of the general measurement approach, which is required for the valuation of insurance contracts with direct participation features, as set out in IFRS 17.	The VFA is not an optional but the required measurement approach for insurance contracts with direct participation features