



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:	
Name of organization		Office of the Superintendent of Financial Institutions (OSFI)
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?	

	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)
1.2	This ISAP applies to actuaries when performing actuarial services related to IFRS 17 for the preparation of an entity’s actual or pro-forma IFRS financial statements. Actuaries performing other actuarial services in connection with IFRS 17 (for example: an actuary advising a third party such as an auditor or a regulator, or advising a potential buyer regarding an acquisition) should apply the guidance in this ISAP to the extent relevant to the assignment.	It is not clear why a distinction is made between performing actuarial services related to IFRS 17 when preparing financial statements vs. all other actuarial services. In both cases, certain sections of IFRS 17 will be relevant and others will not. It is suggested that the paragraph be worded as follows: “This ISAP applies to actuaries when performing actuarial services related to IFRS 17. The guidance in this ISAP should apply to the extent relevant to the assignment.”



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2.6.3	Characteristics of the <u>policyholder</u> and the way the contract was sold;	Examples of the characteristics would be helpful
2.6.4.b	Likely behaviour of policyholders, taking into account behavioural economics , anti-selection, the effects of financial literacy, and the relative advantages to the policyholder of exercising any options;	Behavioural economics is the study of likely human behaviour in the face of economic decisions. This field of study has shown to be more predictive of actual human behaviour than classical theories based on rationality and should be a consideration here.
2.6.8	Currency Exchange – When advising the principal or the entity on the estimation of the fulfilment cash flows in multiple currencies, the actuary should reflect current market expectations of future currency exchange rates .	Currency futures may not be available for all currency pairs that the actuary is required to consider. Guidance on those circumstances would be welcomed.
2.6.9.a.i	Periods beyond those for which observable data from a deep and liquid market is available, consider how current rates are expected to evolve over time using the best information available in the circumstances, including such market prices as are observable	The standard does not contain the language “deep and liquid market”. Rather, it uses the term “active market” (paragraph B82), which should be used instead.
2.6.9.b.i	Approaches that are robust based on sound financial theory and that should be able to be applied reliably over time and under a variety of market conditions, to reflect the illiquidity premium of the related insurance cash flows .	<p>“Robust” is vague and open to interpretation. The suggested text (or something similar) would provide better guidance on setting illiquidity and default adjustments.</p> <p>The previous change to the standard was meant to add a point/principle to discuss the mapping of illiquidity premium observed from market instruments to the illiquidity premium of the related insurance cash flows. The suggested wording “to reflect the illiquidity premium of the related insurance cash flows” better conveys this point.</p>



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2.6.13e.	Allow for the uncertainty caused by the potential of non-performance by reinsurers either in the estimates of future cash flows to be received from reinsurance contracts or in the risk adjustment for non-financial risks ;	Our interpretation is that the potential for non-performance by reinsurers should not be a part of the risk adjustment for non-financial risks. Assuming correct, this should be revised.

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)