



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:	Mark Churley, IFRS17 Policy & Methodology Workstream Lead, Group Finance, OML (comments represent the organisation)
Name of organization		Old Mutual Limited (OML), Cape Town, South Africa
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	Not confidential
Instructions for filling in and sending the template	<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not write in the yellow shaded cells ⇒ Write in the white cells ⇒ When commenting on a specific paragraph: <ul style="list-style-type: none"> ○ Please use a separate row for each paragraph, sub paragraph, or bullet. ○ Please include the full reference in the first column such as “Introduction 3rd paragraph 2nd bullet” or “2.6.1.b.ii” ○ Please insert/append extra rows as needed. <p>Please send the completed template, renamed with the organization’s or individual’s name, attached in <u>Word Format</u>, to</p>	



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	ISAP4.comments@actuaries.org	
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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?	See comments below on specific sections.
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	See comments below on specific sections.

	General Comments on the ISAP 4 – 2 nd Exposure Draft
	ISAP 4 is at a very high level, and hence practical guidance tends to be more general.

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)
2.4	Suggest define terms “Recognition”, “derecognition” and “modification”, in the context of IFRS17. “Separation” could also be defined although it is adequately explained in that one can see from the wording that the separated components are treated under a different standard.	
2.6.5	Suggest add another point: “The entity’s timing or amounts of discretion in accordance with the entity’s rights under the insurance contract.”	Discretion that entity can apply in accordance with the policy contract is an important point.
2.6.13 c. (ii)	“Reflects the risk differences between the <u>portfolios of insurance contracts</u> ,” Suggest make it clear that the RA need to be determined (e.g. calculated at a higher level and allocated down) for groups of insurance contracts.	



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2.7.2	“Be aware of whether the <u>entity</u> has chosen to recognize <u>insurance acquisition cash flows</u> as expenses when it incurs those costs <u>or has chosen to amortise these cash flows</u> , and determine the liability in accordance with the <u>entity</u> ’s choice; and“	Suggest need to mention the alternative choice.
2.8	“ The Variable Fee Approach (VFA) – In using the <u>VFA</u> , the <u>actuary</u> should apply the guidance in paragraph 2.6., except for 2.6.6. (<u>Reinsurance Contracts</u> Held) and 2.6.7. (<u>Reinsurance Contracts</u> Issued), <u>as VFA is not applicable to reinsurance contracts</u> ”	Suggest that it is useful to clarify that VFA is not applicable to reinsurance contracts.
2.10.	Suggest change Transition point (a) as follows and add a further point: “a. The availability and integrity of past policy <u>and accounting</u> data that are required to determine the <u>fulfilment cash flows</u> since initial recognition;” and add “ <u>The availability and integrity of past models</u> ”.	Availability of accounting data e.g. cashflows, is also a relevant consideration. The amount of effort and the risk of inaccuracy in adapting old models to produce best estimate liabilities may make the full retrospective approach impracticable.

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)