



Deadline: 30 June 2018

Please use this template to comment on the [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 Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

- (a) Comment on the questions as stated;
- (b) Indicate the specific paragraph or group of paragraphs to which they relate;
- (c) Contain a clear rationale; and
- (d) Include any alternative that the IAA should consider, if applicable within the scope of the [Statement of Intent for ISAP 4](#).

| Identification and instructions | | |
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| Name of Individual: | Please indicate if your comments are personal, or represent your organization: | Submitted on behalf of FRAC by Dan Schlemmer (DanSchlemmer@gmail.com) |
| Name of organization | | Financial Reporting and Analysis Committee (FRAC) of Casualty Actuarial Society (CAS) |
| 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 ISAP4.comments@actuaries.org</p> | |



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| | Specific Questions asked by the ASC | Response |
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| Q1. | Is the guidance clear and unambiguous? If not, how should it be changed? | Minor changes recommended below could improve the clarity |
| Q2. | Is the guidance sufficient and appropriate? If not, how should it be changed? | As a Standard of Practice, it does little to clarify actual practice, see “General Comments” below. |
| 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? | Yes, at the right level of detail in general. We did have a comment that there may be a need for more detailed guidance as to the question of aggregation – should reporting be considered at a level consistent with reserving/valuation classes? Other comments below as well |
| Q4. | Are there other matters that should be included in this standard? Are there some included here that should not be? | No other matters, except as noted below. |

| | General Comments on the ISAP 4 Exposure Draft | |
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| | <p>In addition to various editorial and also more substantial comments below, FRAC was in general agreement with many of the “General Comments” provided by the American Academy, including that this does not really codify actual practice and may be premature.</p> <p>http://actuary.org/files/publications/Academy_FRC_ISAP4_Comments_05252018.pdf</p> | |



| Comments on specific paragraphs of the ISAP 4 Exposure Draft | | |
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| Full paragraph reference | Change proposed to the paragraph (markup preferred) | Reason the change is needed (can be kept very brief or left blank if obvious from the change) |
| | <p>Several cases where a definition appears to follow after it was used:</p> <p>Introductory paragraph “An entity...” defines IFRS on the second line, when it was already used on the first line of that paragraph.</p> <p>Similarly, IFRS 17 is defined in the first sentence of the “Introduction”, but previously used in the “Preface”.</p> | |
| Introduction, third paragraph | 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?) | |
| 1.4 | 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” | |
| 1.7 | “an” appears to be extraneous. “...with respect to IFRS financial statements...” | |
| 2.1b | “appetite for any risk” isn’t defined, and it’s not clear what ways that appetite impacts the IFRS 17 reporting. 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? | |
| 2.3 | “...the actuary should take materiality into account...” while materiality and proportionality are related, seems like it could say “...the actuary should take proportionality into account...” without losing meaning; if “materiality” is intended | |



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| | to convey a meaning significantly different from “proportionality”, perhaps make more clear. | |
| 2.4b, 2.5, 2.6.13 | Gramatically, 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“ | |
| 2.6.1 and 2.6.1a | Is there a different meaning intended for “selection” (2.6.1) and “setting” (2.6.1a)? If these are intended to be different processes, consider clarifying; or if intended to be the same thing, consider using the same word? | |
| 2.6.3f | “Practices” seems vague. Would there be specific examples of what’s intended that could be added? | |
| 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”. | |
| 2.6.6a, 2.6.9, 2.6.10 | 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. | |
| 2.6.8ciii | 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 | |



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| | contract terms such as reinstatements, corridors, etc”. | |
| 2.7.1 | 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? | |
| 2.7.2 | 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. | |
| 2.7.2c | “will render the simplification invalid in <u>the</u> future.” | |



| 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) |
| | NONE | |